

HOUSING...

U.S.A.



AS INDUSTRY LEADERS SEE IT

ML
104





G. F. Mason

H O U S I N G . . . U . S . A .

As Industry Leaders See It

H O U S I N G . . .

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U. S. A.

As Industry Leaders See It

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what this book is about

During the last decade, there has been an increasing need for a book which would describe the emergence of the housing industry as a modern efficient industry and the concurrent development of today's merchant or operative home builder.

This volume is a collection of especially written articles on various phases of this subject. We term ourselves the editors and not the authors, since our task has merely been the correlation of these articles, rewritten with the objective of giving continuity and order to the various contributors' articles.

Among these contributors are such outstanding experts in the field as Miles Colean, Herbert Colton, Tax Foundation of New York, the Urban Land Institute, and the editors of *The American Builder*, *Practical Builder*, and others. Credit is also due Conrad P. Harness, Public Relations Director of the National Association of Home Builders. Under the direction of the NAHB Public Relations Committee, then chairmanned by Emil Gould, home builder of Miami, Florida, and Leonard Frank, home builder of Long Island, New York, Chairman of the NAHB Educational Committee, he helped in the preparation, supervision, direction and final assembly of the information in this book. It is hoped that this volume, while neither a complete and detailed reference manual nor a series of articles

prepared for popular consumption by the lay reader, will fill an important niche in the all too inadequate bibliography of housing. Subject matter has been approached in such a fashion as to make readily accessible specific information, at least in general terms, on the various phases of housing.

In a book which covers such a vast industry, with its complexities, issues and problems, we cannot say that each editor fully agrees with each statement within the book. There are too many controversial subjects discussed to expect perfect agreement throughout. The editorial panel, however, agrees with the major conclusions outlined in the book.

We hope this book will be valuable because the subject it endeavors to cover is so basic to the American economy. Beyond the unquestioned essentiality of a healthy home building industry to our total national economy is the more subtle and possibly even more valuable contribution to the welfare of the nation. A nation of home owners is a nation of good citizens. A personal stake in the land assures personal interest in the welfare of the community, and if communities are sound and democratic, so will the nation be safe from the corroding influence of foreign ideologies and "isms."

. . . *the Editors*

meet the editors

W. P. "BILL" ATKINSON—is the developer of Midwest City, a postwar community located near Oklahoma City. Following a career in journalism and the publishing field he entered the home building profession in 1936. By 1940 he was recognized as one of the outstanding builders in Oklahoma and in later years gained national prominence. He has served as an adviser to high government officials on matters affecting the housing industry and in 1951 was instrumental in founding "Operation Trade Secrets" meetings wherein leading builders met and exchanged trade secrets with the objective of producing better housing at lower cost.

DAVID D. BOHANNON—has built nearly 4,000 homes in the San Francisco area including San Lorenzo Village, a completely planned community of 1,500 homes. His firm is now developing the community of Hillsdale in San Mateo, California, a community which when completed will have over 3,000 homes. He is a director of the California Real Estate Association, National Committee on Housing, Inc., member of the Community Developers Council of the Urban Land Insti-

tute, and a regional vice president of the National Association of Real Estate Boards.

MILTON J. BROCK—Los Angeles, has been active in home building for over 30 years. His firm, Milton J. Brock & Sons, Inc., has constructed over 3,000 units since V-J Day. He is a past president of the Building Contractors Association of California, a past member of the Los Angeles Community Development Agency, and past president of the Home Builders Institute of Los Angeles.

ALAN E. BROCKBANK—builds an average of 100 homes per year in the Salt Lake City area. His background includes experience with the Federal Housing Administration, industrial engineering, construction, housing legislation, slum clearance and urban redevelopment, and mortgage finance. He is a director of Housing Securities, Inc., of New York City, a national mortgage brokerage firm, past member of the Committee on Construction and Civic Development of the Chamber of Commerce of the United States.

FRITZ B. BURNS—has built 20,000 homes and several complete communities in the Southern California area. He is nationally recognized as an outstanding public relations expert and sales merchandiser. His most recent activities include stimulation of national campaigns to stop the spread of slums and blight and to rehabilitate rundown neighborhoods.

EDWARD R. CARR—has developed several outstanding residential sections in the Washington, D. C. area. He is currently developing a 23,000 acre community in the Springfield, Virginia, area. He has been a champion of the home building

industry's responsibilities in providing desirable community living conditions in the lower price brackets.

THOMAS P. COOGAN—nationally known construction and mortgage finance expert with extensive construction experience in the South Florida area. He is the founder of Housing Securities, Inc., national mortgage brokerage firm. Coogan regards mortgage finance as the heart of the home building industry. In 1951 he was named assistant to the Secretary of Defense and Director of the Armed Forces Housing Agency, in charge of family housing for the Army, Navy and Air Force.

HARRY J. DURBIN—entered the home building business in 1930 and for the next 20 years built over 3,500 homes and apartments in the Detroit area. In 1950 he was appointed Director-Secretary of the Detroit Housing Commission and is serving in that capacity at the present time. He supervises all public housing activities in the Detroit area as well as the City of Detroit's urban redevelopment program.

ROBERT P. GERHOLZ—President of the Robert P. Gerholz Organization, operating in the Flint, Michigan, area. His firm has built six complete housing developments. His background includes the presidency of the National Association of Real Estate Boards, a trustee of the Urban Land Institute, president of the Michigan Real Estate Association, and directorship in the Michigan National Bank. He is the only man to be elected president of both the National Association of Home Builders and the National Association of Real Estate Boards.

RODNEY M. LOCKWOOD—an operative builder in the Detroit area . . . has distinguished himself for many years as a

representative of the home building industry in national affairs. A member of President Eisenhower's Advisory Committee on Housing, he has presented the industry viewpoint in the rôle of government in housing. He has written numerous articles and has appeared frequently on national forums and before large groups to discuss housing matters.

JOSEPH E. MERRION—has been an outstanding builder and developer in the Chicago area for nearly 30 years, specializing in the low cost housing field. Among his many projects are Merrionette Village, Merrionette Park and Merrionette Square. During the war he worked with the government in developing and carrying out a program under which one million war housing units were provided by private builders.

JOSEPH MEYERHOFF—has been associated with the home building industry since 1920 in Maryland, has been exclusively a home builder since 1925. He has constructed homes and apartments of all types and price ranges with an outstanding record in production of war housing. He is nationally known for his activities on behalf of civic and philanthropic organizations of all kinds. He is an expert on mortgage finance, economics and construction techniques.

GEORGE F. NIXON—builder and developer since 1913 in the metropolitan Chicago area. He has purchased and sold over 5,000 acres of fully developed properties in greater Chicago. He is a past president of the Chicago Real Estate Board, Illinois Association of Real Estate Boards and Metropolitan Chicago Home Builders Association.

EMANUEL M. SPIEGEL—a veteran of more than 20 years experience in home building and a second generation builder,

his building activities center largely in the Northern New Jersey area. He has testified before Congressional committees on many occasions on behalf of the home building industry and is nationally recognized as an expert on housing legislation and mortgage finance. He is presently constructing "Rutgers Village," a large community in New Brunswick, New Jersey.

Each of these distinguished builder-editors has one experience in common. Each has been a Past President of the National Association of Home Builders, the trade association for the home building industry.

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THE WHITE HOUSE

WASHINGTON

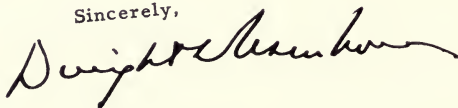
Denver, Colorado
September 16, 1953

Dear Mr. Spiegel:

I am delighted to send greetings to all those participating in the observance of National Home Week of 1953. Building good homes for our families means building a better America. In meeting the tremendous task of providing better housing for our people, the home building industry has a record of remarkable accomplishment.

I am confident that the continuing need for new homes is a challenge which the home building industry will, as in the past, accept and master.

Sincerely,



Mr. Emanuel M. Spiegel
President
National Association of Home Builders
1028 Connecticut Avenue
Washington, D. C.

H O U S I N G . . . U . S . A .

As Industry Leaders See It

1

introduction

Housing America is a job for an industry which, like the nation itself, is characterized by a vigorous bigness, an aggressive individuality, and possesses a rather fierce faith in the American system and the varied people who compose it.

And, like America, it is an industry of a multi-thousand facets, each representing the individuality of the thousands of builders and manufacturers who are the partners that make up the industry.

It may perhaps seem somewhat anomalous that, in this age of mass industry, home building is not also the product of a few giant corporations. Look for a moment at its size.

In its aggregate it employs annually more than one million skilled, semiskilled and unskilled on-site workers. In 1953 its operations ran to about \$12 billion. Indirectly, it provides additional hundreds of thousands of workers in affiliated industries with jobs.

The home builders for the nation are, as an average, the typical small business men whose ingenuity and ambition are the backbone of the democratic enterprise system of these United States.

Around the nation, averaging big city and small, it is estimated the average home builder will construct some 20 homes a year.

Possibly ten per cent will erect more than 100 homes annually. Such builders generally are the product of the post-war era with its tremendous demand for new homes. If any home builders reach into the realm of "big business" it is these men whose organizations have set new world standards for mass producing, on the site, from hundreds to several thousand homes.

In some notable instances, such as Lakewood Park, Los Angeles, with its planned 20,000 homes, and Park Forest, Illinois, which in 1953 had a population of somewhat more than 20,000, private builders have constructed more than just homes. They have built through a single, though ramified, organization new cities on the American landscape—homes and apartments, churches and schools and shopping centers.

There are a multitude of reasons why housing remains localized in nature. A house once built, unlike the automobile, the wrist watch, or the television set, is anchored to a plot of ground. Builders, unfortunately, cannot pack up unsold merchandise and ship their homes willy nilly around the country hunting another buyer.

Demand for housing is as varied as is the demand for almost no other product. The radio suitable for New York plays equally well in San Francisco. A dish washer operates as smoothly in a kitchen in Pocatello as it does in Miami.

But the house practical in Louisiana too often is quite unfit for the climatic demands of a harsh New England winter. A two-story row house fitted to the property complications of an older Eastern city would be as out-of-place as a golf course in the Arctic if erected on the foothills of the Wasatch mountains overlooking Salt Lake City.

In addition to widely varying needs in housing which a massive and unwieldy centralized organization faces, there are also costly difficulties in meeting specialized local home construction needs.

The efficient home builder has, time and again, demonstrated his ability to meet these local demands. His operation is flexible. It can expand quickly to meet a vast demand for housing, although the maintenance of an even level of production is desirable.

Yet, smallness of the individual home builder must not be confused as synonymous with inefficiency.

The very fact that home builders normally operate on a small scale means they face far more competition within their own field than the mass production industries. This fight for the consumer dollar is one of the keenest reasons why the home builder has sought to give more and more housing for the dollar. And has he been successful? If the percentage of home owners is any answer, which indeed it is, America, one of the best housed nations on earth, is a testament to the efficiency of the home building industry.

At the same time there has been a constant series of innovations in the home building industry in the last few decades. Efficient automatic machinery has come into wide-spread use. Power shovels and concrete mixers—where justified by the size of the operation—are common sights. Truck-mounted cranes, motorized wheel barrows, and electric hand tools of all types are in wide-spread use.

Prefabricated parts, such as roof trusses, partitions, floor framing, doors and windows, and even entire walls, are being used increasingly by the efficient builder.

Jig tables on the smaller projects, and completely equipped temporary shops at the development site on larger projects are used to fabricate standard parts.

The self-generated desire of the home building industry towards greater efficiency is symbolized by continuing conferences of builders around the nation to discover newer, faster and more efficient procedures in building better homes for less.

The best known of these conferences are called by the Na-

tional Association of Home Builders. Termed "Operation Trade Secrets," they are designed to disseminate throughout the industry cost-saving ideas applicable to every aspect of design, construction and sales.

New materials produced by alert manufacturers are constantly coming into use—materials which were unknown or untried a decade ago. Think for a moment of the use of aluminum, the "miracle" metal, for windows, gutters and drain-spouts. Modern wall tile in kitchen and bathroom is commonplace today, but this one product alone would have amazed and, truth to tell, delighted grandmother.

In every corner of the modern mid-century house, science has found better materials, newer materials for less money, to produce a better house.

The search for these materials is expensive, but worth-while. Financing research is a combination program—some federal funds, manufacturer budgets, construction industry funds, some university funds. Most of the research begins in the laboratories of the universities and product manufacturers.

However, the development of new construction techniques and the discovery of new uses for old materials, and new materials, throws a spotlight on one of the biggest headaches plaguing the home builder and, even if unbeknown to him, the home owner.

More than 2500 communities regulate home building through construction codes that are almost fantastically complex in content and administration. A great majority of these codes, for example, specify the types of pipe to be used in plumbing, the exact kind of equipment to be used in electrical facilities, or how a wall must be built, plastered and painted.

Where codes and other municipal requirements are dated by even as much as ten years (and some are more than 50) such intense spelling out in detail can add hundreds of dollars to the construction cost of a \$10,000 home. In addition, they serve



The nation's leading builders made public their "trade Secrets" at "Operation Trade Secrets" conferences instituted by the National Association of Home Builders. The recorded conferences were made available to builders all over the nation.



Here is another example of "Operation Trade Secrets" conferences in which builders made the blueprints of homes available for examination by competitors.



Builders gathered together the best suggestions offered in "Operation Trade Secrets" meetings. This house, featured by Life Magazine, was a tangible result.



"Operation Trade Secrets" was such a success that periodic reports are made in Washington to top government officials, including key members of the Congress.

not so much to protect the needs of the community as to impede the acceptance of new materials and methods and to protect unproductive labor practices.

This is not to imply that the home building industry in any way seeks to abolish necessary construction codes. But the industry is fighting a constant fight to bring codes up-to-date through legislation on the city and state level.

In recent years standard building codes, representing the finest technical thinking of engineers, building officials, research scientists and progressive community governments, have been devised by such organizations as: The Building Officials Conference of America, in New York City, the Pacific Coast Building Officials Conference, and the Southern States Building Conference. Their adoption is mandatory in a community which demands the most for its housing money.

The home building industry has gotten more than its fair share of criticism since the end of World War II. But a look around, not only at what has been achieved to put this country into good homes, but what is being done to build constantly better, more livable homes for each dollar spent, is proof positive that the home building industry is keeping pace with other twentieth century developments in every field in America. The "horse and buggy" days are gone forever in housing.

2

mortgage credit—lifeblood of home building

The lifeblood of the home building industry is residential mortgage credit.

As building techniques have evolved over the last few decades, so too has mortgage credit shifted to meet many of the needs of the times.

The forms of credit available even 30 years ago would no more satisfy the complex demands of the housing industry today than could cord wood power a jet plane.

To understand the vastness of the credit phase of home building in a single year, begin first with the premise that the largest single financial transaction by the average individual in his lifetime is the purchase of a house.

The construction of a 50-home project may involve up to a half-million dollars in financing.

Multiply this by the one million homes or more erected in 1953 and the economics of house construction is staggering.

Since the construction of even one home is inevitably based on credit, the building of a million homes is a testimonial to the effectiveness of today's complex mortgage credit system.

As a matter of cold fact, a revolution has occurred in the financing phase of home building since 1920. Indeed, it well

may be that this factor, more than any other single one, whether it is changes in living habits, new construction techniques, or simply an advancing scale of living, has been the most responsible for the ability of the housing industry to grow apace with the housing demand.

To realize how far financing methods have changed, look at the credit system circa 1920-30.

The man then interested in buying a home visited his local bank to obtain a first mortgage for between one-half and two-thirds of the value of the property. Since he usually lacked the funds to pay the balance in cash, this normally forced him to seek a second mortgage loan, and often a third.

Interest rates were high. For his first mortgage he was charged an average of about 6 per cent, sometimes more. Second and third mortgage rates customarily ran from 6 to 10 per cent.

In addition, lending institutions normally did not accept periodic amortization, although a few life insurance companies and savings and loan associations were by then beginning to permit a limited form of regular debt reduction. But for an average home buyer, his loan contemplated repayment in a lump sum at maturity, about 3 or 5 years after the date of the loan.

Because of these short terms, frequent renewals were a normal necessity. Each renewal involved additional fees, discounts and what lending institutions pleasantly referred to as simply "other charges."

To top all of this, the home buyer, if he dared brave the rigorous credit problems and high auxiliary charges, found himself dependent almost exclusively upon local sources of money—a bank, a building and loan association or a private investor. After World War I a few more daring insurance companies had begun to offer home loans in considerable amounts at distances from their home offices.

The fact was, however, that mortgage money was hard to get, usually unavailable at a time of great need, as will be shown, and borrowing was exceedingly expensive. By the time the initial discount, interest and renewal premiums were taken into account the cost of borrowing to buy a home generally ran 12 per cent or higher a year, and the whole system was fraught with danger to borrower and lender.

The greatest proof of the inadequacy of this whole system of expensive credit came when the economic flood of the early 1930's engulfed the nation and the world.

Borrowers who had been led to expect repeated loan renewals were unable to get them or to meet lump sum payment demands.

Lenders, with assets depleted by heavy withdrawals, couldn't extend loans. Money for new loans had virtually disappeared.

As the wheels of business began grinding to a stop, home foreclosures mounted alarmingly.

In 1933, a frightened Congress created the Home Owners' Loan Corporation which threw its full weight against the tide of disaster that was besetting the home buyers and the entire home building industry in the United States.

A year earlier the first reforms were aborning in the home mortgage credit system with the establishment of the Home Loan Bank system, although the economic disaster was too far advanced for this organization to develop much effectiveness in the fight against home losses.

But the bank system, along with its affiliated Savings and Loan Insurance Corporation created in 1934, made some significant contributions to modern mortgage lending practices.

The bank system created new sources of local capital for residential mortgage lending when it established Federal Savings and Loan Associations.

The bank system also established a reserve of credits for both

federal, and state-chartered associations which wished to join, thus helping distribute mortgage funds more broadly and providing insurance for lending agencies as protection against the panic of widespread deposit withdrawals that occurred in the early 1930's.

Through supervision of the member institutions in the reserve credit system, the Home Loan Bank system lent considerable strength to saving and loan institutions and brought about a number of improved internal practices in the institutions themselves.

Through insurance for share holders in its member institutions, the bank system went far towards relieving anxiety about mortgage loans, and markedly helped to assure a continued flow of savings into these institutions.

Most of the other modern patterns in the mortgage credit system came about with the establishment of the Federal Housing Administration in 1934.

The first great step by the FHA towards rebuilding confidence by all types of lending institutions in home loans was to offer insurance against losses, within certain limitations and provided the lending institutions agreed to certain regulations established by the FHA.

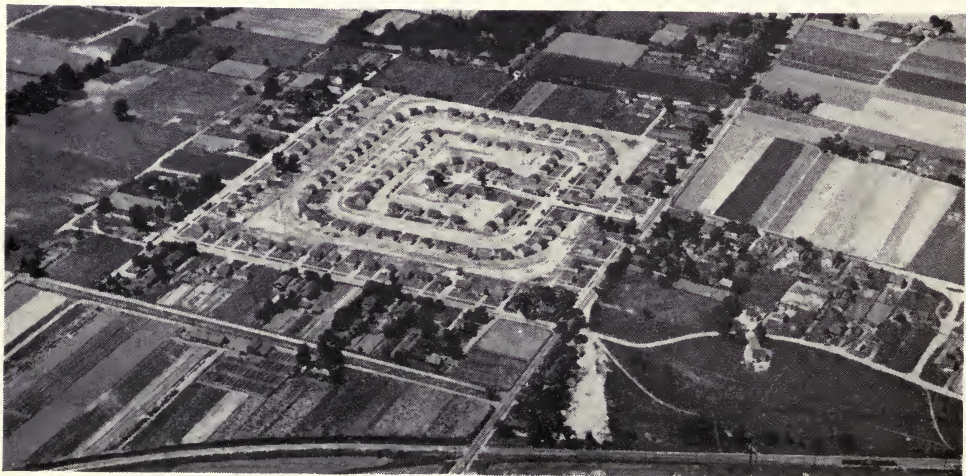
Among these were:

Low down payment requirements for the borrower. Original legislation required 20 per cent. Later this was reduced to ten per cent and finally, in some special loans for low-priced houses, was cut to five per cent. Required minimum down payments have varied from five to 20 per cent, according to the economic tides.

Still, to qualify for federal insurance on mortgage loans, the lending institutions also had to meet other requirements such as: permitting debt amortization through regular monthly payments over a relatively long period. The original law was 20



The lifeblood of any construction project is residential mortgage credit. A favorite saying of builders is "we can build anything we can finance."



The construction of a 50-home project may involve up to one-half million dollars in mortgage financing.



A 20th century mortgage plan, featuring reasonable down-payments, low interest rate and amortized loans, has made America a nation of home owners.



New methods of home finance have made housing a twelve billion dollar per year business since mortgage financing methods opened a vast market of home buyers never before tapped.

years. This later was changed to permit amortization over 30 years in certain cases.

Since a great deal of risk was thus removed from the lending institution, lower rates of interest were effected.

But the FHA did not stop after initiating these revolutionary changes in the mortgage credit field. It went further.

One of its innovations which greatly strengthened the security of the home building industry, was the establishment of a uniform method of appraising the value of homes carried out by its own specially trained employees. This marked the emergence in the United States of a standard system of appraisals, useful from coast to coast by the industry. During recent years, however, FHA's appraisal system has been attacked as outmoded, not recognizing current costs in some areas.

Another innovation, although it seems so common sense today, was the attention the FHA gave to the relationship between the income of the borrower and the size of both the loan and the monthly payments.

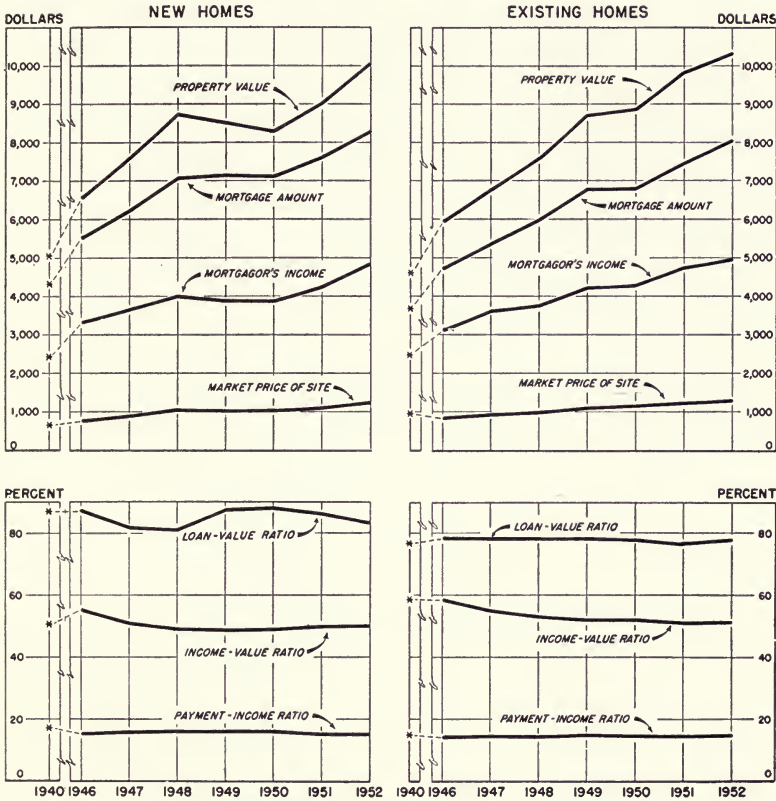
Such new features as these, combined with the insurance system initiated by the FHA to protect the lending agency against the dangers of defaults, began coaxing increasingly more funds into the home mortgage field—especially from the large financial agencies, such as commercial banks, mutual savings banks and life insurance companies—and encouraged these institutions to make mortgage funds available throughout the nation.

World War II added to the shifting patterns of mortgage credit.

There is a historic concept of federal assistance to the veteran in the United States. It has taken various forms, such as substantial separation bonuses, permission to keep side arms and horses, or grants of land.

This search for compensation for the veteran for his sacrifices during a period of crises found one outlet after World

CHARACTERISTICS OF FHA MORTGAGES, HOMES, AND MORTGAGORS
SINGLE-FAMILY HOME MORTGAGES INSURED UNDER SECTION 203
SELECTED YEARS 1940 - 1952



Source: Federal Housing Administration

War II through the creation by the Congress of a new system of guaranteeing home loans for veterans, administered by the Veterans Administration.

In part, the VA system was patterned after the FHA's provisions of low down payments and regular amortization of home purchase loans. In some cases, down payments were eliminated entirely.

And, as with the FHA program of insurance, VA guarantees also were instituted to protect the safety of money lent to

veterans. This made loans negotiable under ordinary circumstances with the result that they usually were freely bought by institutions remote from the mortgaged property.

Now, though the principles involved in making loans to veterans were not unique, the difference between VA and FHA guaranteed loans was primarily this: First, that the VA would guarantee loans requiring a smaller down-payment than the FHA; second, at least up to April, 1953, that veterans were charged lower interest rates than other borrowers, and third, that the factor familiarly known as "credit risk" was less stringent when a veteran applied for a loan than was otherwise the normal practice.

Meanwhile, the federal government, in order to assure that money would be widely available for FHA-approved loans, created the Federal National Mortgage Association. FNMA, known familiarly as Fannie May, is authorized to purchase on the open market up to \$3,650,000,000 in FHA-insured or VA-guaranteed mortgages. It performs what is known as a "secondary market" function. It supplies additional mortgage credit to supplement that available in private institutions and is basically intended for use in areas or during periods when private credit is temporarily insufficient.

Because of recent huge demands for credit of all sorts and fluctuations in interest rates on mortgage and other credit instruments, FNMA has been used somewhat beyond its original intention. Recent amendments to the housing laws have been designed to restore it to its true function as a secondary, not a primary, source of credit.

FNMA should serve as a balance wheel against wide fluctuation in the mortgage market and provide a steadying influence on the market. Loans are held in its portfolio for varying periods of time and are sold from time to time to long term investors, such as insurance companies and savings banks. Thus, FNMA can frequently resell at a profit a loan for which there

were no takers when originally made. It is able to offer complete "packaged" loans ready for immediate delivery, or delivery at a stated time, for which the market is always better.

Up to this point it can be seen that the great changes which revised the whole mortgage credit pattern common to the U. S. for generations before the depression of the thirties, were chiefly federally initiated.

But they have also had a marked effect upon other types of mortgage credit—ordinarily referred to as conventional loans—which were not either insured or guaranteed against default by the government.

Private lending institutions have carried on the distinct trend towards lower down payments. This is particularly true of Savings and Loan Associations. Longer repayment periods and regular amortization over the years now are standard with all types of home building loans.

All considerations of government insurance or guarantees to the lending agency aside, the modern mortgage has proved a much safer economic operation both for the borrower and lender than earlier types of loans.

Since it is difficult for a borrower to commit himself to a loan beyond a reasonable expectation of repayment, and since he is never confronted with the necessity of meeting a large lump-sum payment in a comparatively short time, the borrower is protected against unforeseen emergencies which before World War I so often helped to spread the panic of economic upsets.

The lender, too, can feel safer with modern loans. He obtains a known and constant return of his money, and no longer faces the old uncertainty of whether or not a lump payment could be met by the borrower.

The low down payment on the purchase of a house is a modern facet of home loans that is more distinctive in the U. S. than anywhere else in the world. This feature has made it pos-

sible for literally millions of Americans to own their own homes. Nor is the low down payment riskier to either borrower or lender than the heavy demands once extant for home buyers.

Since only a small equity is required, the borrower, in event of an unexpected mishap, normally is able to take a quick sale on his property with little if any loss to himself.

Five outstanding features characterize the mortgage financing by progressive lenders that has emerged since the 1930's. They are:

1. A single loan without supplementary financing.
2. A low down payment.
3. Regular amortization over a long period of years.
4. Payments normally geared to a reasonable ability by the borrower to pay off his debt.
5. A markedly reduced "borrowing overhead," since duplicate fees for placing loans, repeated title examinations and records, and repetitions of such charges every few years have been eliminated.

But this is not the final answer to mortgage credit. Other features than those already described are becoming popular as the credit system continues to evolve to meet the needs of tomorrow as well as today.

One new system is the so-called "package mortgage." This is a type of financing which not only covers the cost of the basic house, but includes the financing of such items as ranges, refrigerators, home freezers and laundry facilities.

The "package mortgage" simply includes all of these auxiliary items in the total value of the house in estimating the amount of the loan necessary. Mortgage laws in most, but not all, states permit this arrangement through listing in the mortgage instruments housing equipment not ordinarily considered to be real estate if the borrower and lender agree to the coverage by the mortgage.

Occasionally an objector raises his voice against this plan on the argument that the normal life of the equipment is shorter than the repayment period of the mortgage. The answer is simple. There are a number of features in any home that may not last the full repayment period—the roof, the heating equipment, the plumbing and electrical fixtures, the paint, and other items which must be repaired or replaced from time to time.

Actually the only protection which the lender requires is that the rate of amortization, whether it is 10 or 30 years, is sufficient to assure that the payments on the principal exceed the average rate of depreciation of the house as a whole unit. Since the usual maximum amortization period is from 18 to 25 years, the length of the loan is generally well within the necessary protective time limits.

On the other hand, there are numerous and concrete advantages to a “package mortgage.” For example, it permits the buyer to finance many of the needs in acquiring a new home in a single loan, rather than financing special equipment through a series of burdensome and separate loans which frequently may be, in themselves, sufficient to deter a prospective buyer from buying a house. At the same time the buyer can, under such a mortgage, take advantage of the lower mortgage interest rates on his home equipment.

The lender, too, has an advantage. The entire indebtedness of a single house is under control and he therefore avoids any weakening of the mortgage loan.

Another and important new financing feature is the “open-end mortgage.”

With such a mortgage, the home owner can obtain money for repairs, replacements or alterations on his house without either a secondary loan or the undesirable expense of refinancing the original mortgage.

Two methods are provided in the “open-end mortgage” for additional borrowing. One is an agreement written into the

original contract which provides that, from time to time, additional money, not in excess of the total repaid, may be borrowed for specific purposes. The second actually permits advances to the buyer, over and above the original amount of the mortgage. The first is obviously the type favored by lenders. However, under either plan, allowance usually is made to extend the amortization life of the mortgage so that monthly payments continue on the same scale.

Another feature of some modern mortgages is a provision permitting advance payments on principal. These are credited against later amortization payments. The reason behind this is simple—to protect the borrower who sometime may need temporary relief from regular payments. This provision, as with other features of new style mortgages, must be written into the mortgage agreement at the time it is made.

The changes noted in mortgage financing methods have had a profound effect on the housing industry in the U. S. and upon the home owner.

In 1930, the number of owner-occupied non-farm homes was 10,503,000, or 46 per cent of all occupied family dwellings. By 1950 the number of owner-occupied homes had climbed to 19,528,000 which was 53 per cent of all occupied dwellings. By the end of 1953 the ratio was about 55 per cent.

Increasing prosperity was partly responsible for this change. But in any event, despite a high level of prosperity, it would not have been accomplished without the two major features of the modern mortgage—low down payment, long, easy repayment.

New methods of financing also have had a signal effect upon the home building industry, since developments in the mortgage credit field have opened a vast market of home buyers never before tapped. For example, after the FHA, and subsequently the VA, began giving advance commitments to builders, they were able to obtain large construction loans for the

development of multi-hundred housing projects—one of the most unusual characteristics of post World War II home building.

The increase in home ownership and the emergence of a stronger industry are outstanding results of modern financing methods. The major accomplishment, however, is that a larger number of home owners have a greater degree of security in the possession of their homes than was ever before possible in the United States.

Home financing still is in an evolutionary state. The “packaged mortgage” and “open-end mortgage” will undoubtedly undergo refinements.

The problem of broadening and stabilizing the flow of mortgage money into all parts of the country, not only into the big cities, has not yet been solved.

But the pattern of mortgage lending for at least the next century, barring only unforeseen catastrophes, has largely been set—low to modest down payments, repayable in regular monthly installments over a long period of years, and a careful attention to the ability of the borrower to repay. This pattern is expected to continue to encourage the growth of home building industry and the spread of secure home ownership.

Any return on the part of lenders to high down payments, high monthly payments, short amortization periods and high interest rates would be a step backward. Progressive leaders in the mortgage lending profession are aware of such dangers.

3

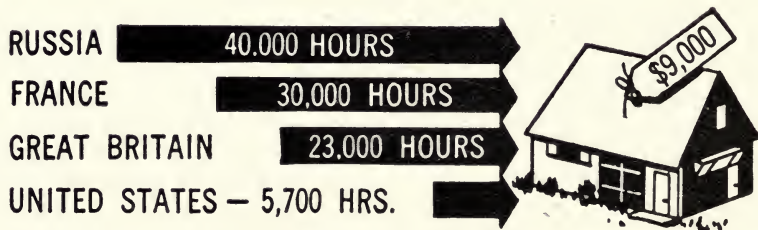
inventory of America's housing

The United States is the best housed nation in the world today by every modern standard of reckoning.

Americans occupy a greater variety of housing, with more facilities, and more living space, than can be found anywhere else in the world.

There are approximately 50 million dwelling units in this country, with an average of 3.2 persons per unit.

In 1950, a typical post-World War II year, the average home on which an FHA-insured mortgage was placed had 922 square feet of living space.



The average U.S. worker puts in 5,700 hours to earn enough to buy a \$9,000 home. In England the comparable figure is 23,000 work hours; France, 30,000 hours, and in Communist Russia, poor Ivan would work 40,000 hours. Home ownership, under Socialism, is far beyond reach of the average worker. And there is no home ownership in Russia. When a government takes over private housing, only the very rich or politically powerful can afford or obtain new housing.

Contrast this with the Soviet Union. The most reliable figures indicate that the average Soviet urban worker has 38 square feet of dwelling space. Even the inmate of a federal prison in this country has more.

The rate of building homes in the U. S. is, in comparison with the rest of the world, only a little short of phenomenal. In the 1940-50 decade, population increased 14 per cent. Dwelling units, during this same period, increased 23 per cent. In 1953 new homes were going up at the rate of one million a year, a rate faster than the relative population increase.

Now, production-wise, compare this country's home building record with the production figures in foreign nations as compiled by the Economic Cooperation Administration.

Since the end of World War II, through 1952, Great Britain has erected a total of 1,400,000 housing units; Italy, from 1945 through 1951, 160,000; Germany, through June 1952, 1,300,000, including those converted and repaired. American production from 1945 through 1953 was more than 8,000,000 units.

It is not easy to understand why U. S. production is so high. Compared to Europe, American housing production is from 300 to 500 per cent greater. Our living standards are not that much higher than Europe's, nor are the materials available to us in that much freer supply here.

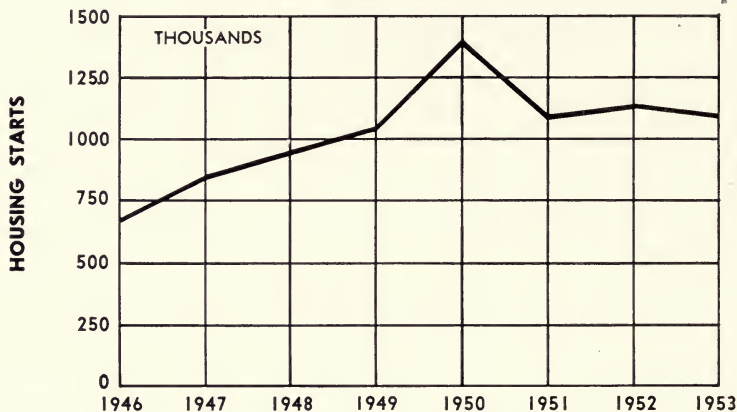
What, however, is undoubtedly the chief reason for this rate of building is simply the American system of democratic enterprise—in which a man who wants to buy a home normally can afford one; the man who wants to build homes can do so, and everyone benefits.

In addition to a high construction rate, America also enjoys a tremendous inventory of older homes. This inventory is more significant than may be apparent at first glance.

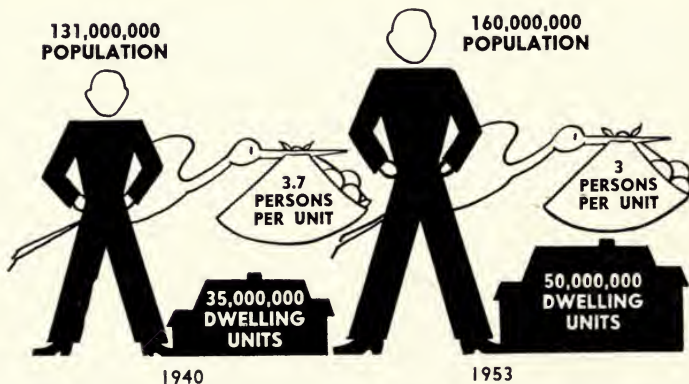
For example, it provides a "stepping-up" process in home ownership. On the same basis that if one cannot afford a new

HOUSING STARTS 1946-1953

(Bureau of Labor Statistics)



HOUSING KEEPS UP WITH THE STORK



model automobile one still can buy a good used auto, so it is with housing. The importance of older housing to the market can be clearly established by the fact that a majority of home sales each year are of existing houses.

In 1952, by way of an example, there were an estimated 4,000,000 home sales, of which about 3,100,000 were existing homes.

The bulk of the slightly more than 1,000,000 homes built in 1953 sold from \$5,500 to \$11,950, with an average figure of around \$10,000. Under a rule-of-thumb that a person can afford a home roughly three times his annual income, this meant that new homes were within the reach of families whose incomes averaged from \$2,000 to \$3,000 annually, as well as those in the higher income brackets.

The average 1950 (a representative post-war year) income of purchasers of homes financed through FHA-insured mortgages was \$3,861.

One of the most significant changes in the housing inventory of America over the years has been the steady increase in the percentage of owner-occupied homes.

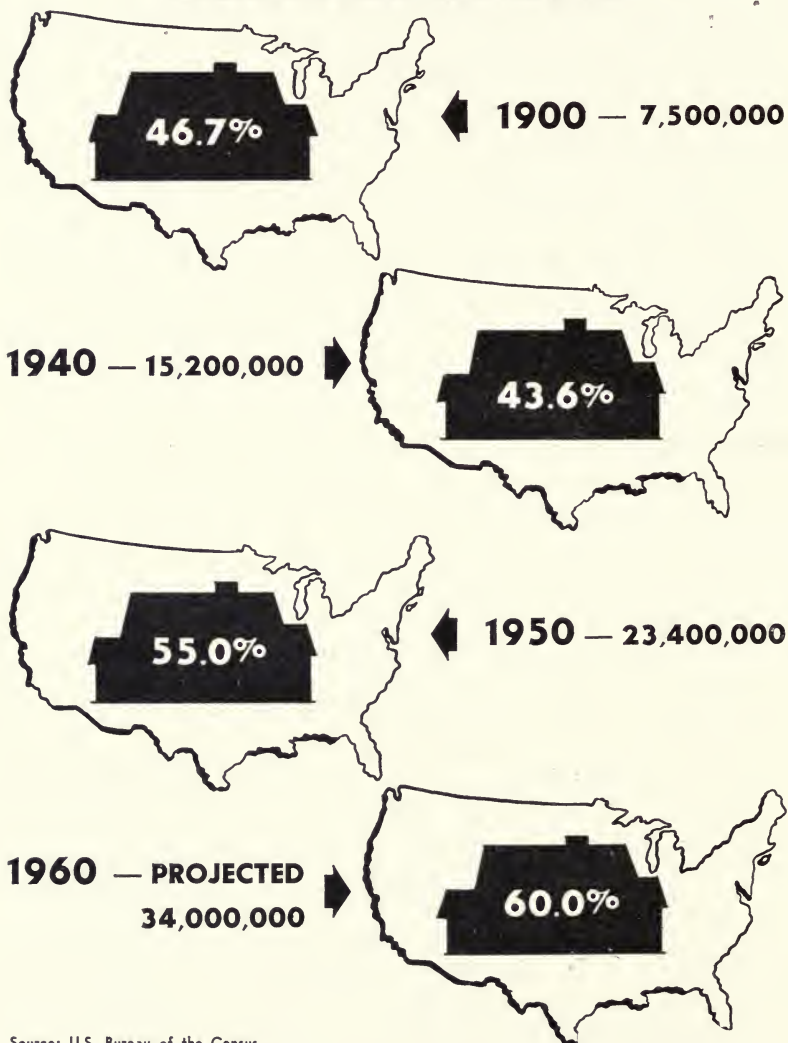
Between 1890 and 1930, home ownership climbed from 37 to 46 per cent. There was a temporary reversal of this upward trend during the 1930s, but in the 1940-50 decade, the steady climb in the percentage of owner-occupied homes continued.

Even with the steady rise in home ownership there still is a vast number of rental units throughout the United States, estimated in 1953 at 27,000,000 units, including farm homes. And, despite the rapid climb of prices after World War II, and again following the outbreak of hostilities in Korea, the average rental paid in 1950 across the nation was \$35 per month per unit, according to the Bureau of the Census. More than 85 per cent of all rental units throughout the nation rented for less than \$60 monthly.

A breakdown on America's housing inventory is an interest-

THE GROWTH OF HOME OWNERSHIP

PERCENTAGE AND NUMBER OF OWNER-OCCUPIED
DWELLINGS IN THE UNITED STATES, 1900 TO 1960.



Source: U.S. Bureau of the Census

ing study in what this country has produced in volume and quantity.

The following statistics may make dry reading, but they represent a substantial part of what is so fondly referred to as "our way of life."

In 1953, there were an estimated 50,000,000 units, both farm and non-farm, to house 158,000,000 Americans.

Of these, 43,000,000 were classified as "non-farm."

Eighty per cent of all non-farm units possessed both inside toilet and bath facilities, an increase from 73 per cent in 1940. And of the total housing supply, only 2,000,000 units, or about four per cent, had serious deficiencies.

In 1950 the vacancy rate of all dwellings was roughly 1.7 per cent, or almost double the 0.8 per cent vacancy rate in the critical housing shortage year of 1947. There is a strong argument to back up critics of stringent rent controls who have pointed out that the very stringency of these controls discouraged private investors from building even more housing from 1947 to 1953.

Overcrowding has steadily declined over the past 12 years. In 1940, 7.1 per cent of all non-farm dwelling units averaged more than 1.5 persons per room. In 1950, the percentage of housing so occupied had dropped to 5.5 per cent.

Size of non-farm households has declined, too—from 3.2 persons in 1940 to 3.0 persons in 1950.

Home ownership, as previously pointed out, has climbed steadily for the last 60 years.

The average value of single family houses in 1950 was \$7,500. In the same year there were 20,500,000 single family dwellings in the 1950 non-farm inventory. This was about 56 per cent of all non-farm units, about the same percentage as in 1940.

Now, it is interesting to note in this review of the general housing situation in the United States, that the great inventory

of existing homes is one of the critical factors in providing housing for all segments of the nation, in all regions, and in most economic levels.

Studies show that when a family moves into a newly built home, this move may affect as many as 16 other families, each stepping up into better quarters. Since new homes are not restricted to the highest income brackets, but cover the whole range of income groups, a modestly priced new home promptly means one more used home available to the lower income brackets.

As a matter of cold fact, this "stepping up" process, a custom as American as everyone's right to his private Horatio Alger dream, could, by itself, solve the problem of providing housing for almost all of the underprivileged in this country if the problem is handled with the vigor and imagination characteristic of this land.

Production and purchase of a large volume of new homes makes thousands of existing structures promptly available for other owners. Since the government may be involved in providing low income housing on some scale for years to come, the only wise, and non-socialistic fashion in which such a program could be handled would be through an understanding, and utilization, of what this "stepping up" process means in the task of housing all of America.

The existence of a strong inventory of housing plays a major role in making America the "movingest" nation on earth. Americans are forever on the move, truly the only industrial people on earth who have learned how to be semi-nomads at will, or when necessary. Bureau of Census figures show about one of every five changed residences annually from April, 1947, to the spring of 1950. The number moving about exceeded some 28,000,000 a year in the 1948-50 period.

While most persons merely changed homes in or near their former environment, several million upped stakes and shifted

to another county or state. Only the existence of an adequate supply of housing wherever an American wanted to move made this vast motion possible.

Every safeguard must be taken in the future to see that private initiative in America always constructs enough homes so every American who wants to move in the future has an equal chance because adequate housing always will be available.

Older homes, generally built in an era of large families and plentiful land, as well as the existence of non-residential buildings, are important to the housing supply for, by alteration and conversion, these buildings are the quickest and generally cheapest way to expand the housing supply and utilize the great inventory we have on hand.

4

a million homes annually

The United States must produce at least 7,000,000 housing units from 1953 to 1960 to keep Americans in the next decade as well housed as they are today.

This means, bluntly and simply, that 1,000,000 housing units a year are the absolute minimum to maintain present standards. If these standards are to be improved, the rate must increase.

If home production fails to meet this minimum, America will find itself winding up the present decade with a housing deficit and all the multiple headaches, ills and evils that a housing shortage implies.

The direct results of a deficit in housing are probably obvious after a brief moment's thought—inflated prices, the triggering of a boom and bust cycle, and an inevitable widespread demand, without recognizing the consequences, that the "government do something."

The indirect results are not as readily accessible. But they are there, nevertheless, in cramped living conditions which increase family tensions, tend to break up families, and contribute to juvenile delinquency.

Largely because of yeoman efforts to solve a critical housing situation that resulted from World War II, a housing deficit, present and threatened, appears quite harmless today.

OFFICIAL BUREAU OF LABOR STATISTICS'
 FIGURES ON TOTAL ANNUAL PRODUCTION
 OF HOUSING UNITS—1920-1953

1920	247,000	1931	254,000	1942	356,000
1921	449,000	1932	123,000	1943	191,000
1922	716,000	1933	93,000	1944	141,800
1923	871,000	1934	126,000	1945	209,300
1924	893,000	1935	221,000	1946	670,500
1925	937,000	1936	319,000	1947	849,000
1926	849,000	1937	336,000	1948	931,600
1927	810,000	1938	406,000	1949	1,025,100
1928	753,000	1939	515,000	1950	1,396,000
1929	509,000	1940	602,600	1951	1,091,300
1930	330,000	1941	706,100	1952	1,131,300
				1953	1,100,000*

* estimated

But it is the firm opinion of most private and government experts that if the annual home building rate should slacken, which between 1949 and 1953 averaged slightly more than 1,000,000 units annually, the consequences will be inevitable, harsh and troublesome.

There are two major sets of figures which, balanced together, show how the need for housing is ascertained. On one side are the factors of demand. On the other, the factors of supply.

Let us view the factors involved in arriving at the housing demand over the next seven years.

The first is what the Census Bureau refers to as "net new families," or new families formed through marriage less families dissolved by death and divorce. Obviously, the rate at which new families are formed is not constant. The rate dips during a business lull and war. But given a high prosperity cycle, or the sudden return of peace, and the marriage rate



U.S. builders must produce around one million new units per year to maintain present housing standards and to satisfy housing demands of home seekers such as those above, in Kansas City, and below, in Miami.



promptly jumps. For example, the rate at which new families were formed in the U. S. reached an all-time high in the years immediately following V-J Day.

In 1947, the year of the post-war peak, 1,500,000 net new families were recorded. The rate has been declining slowly since. The 1951 rate was 1,100,000. Barring any international disasters, the marriage rate eventually is expected to stabilize at about 500,000 annually.

Now this does not mean that during the remaining years of the current decade the net new families are going to demand 500,000 new housing units every year. Each newly married couple doesn't rush from the church to the local builder for a new house. But a tremendous number do.

If a net new family moves into an older occupied house—that still puts pressure on the market because the occupants of the housing unit they acquire must have some place to go.

There also is a process of “undoubling” which inevitably occurs after a period of housing shortage. In 1950, for example, there were nearly 2,000,000 married couples who did not have independent households. It is believed that by the close of 1953, however, most of such couples who wanted homes had found places of their own.

Another crop of housing customers is made up of single persons or unrelated individuals who wish to establish independent households. This group is far more significant in the housing field than it may appear at first glance.

The Census Bureau found in 1950 that the group accounted for almost 12 per cent of all households. There is no reason to presume that the percentage will change noticeably as long as this country maintains its present prosperity.

Beyond question, the biggest stimulant to housing is the annual birth rate. Even Census Bureau experts frankly admit that the making of population forecasts is a risky business.

An example of this is what happened after World War II

when the national birth rate jumped far higher than anyone anticipated. More families had a second and third child.

The trend was to younger marriages. Both of these trends are continuing. It is now expected that by 1960, if the population continues increasing at its current rate, the nation will number roughly 180,000,000 persons.

But regardless of whether the population increase should jump markedly or fall noticeably during the last half of the decade, one thing is certain. The high birth rate after World War II means a new population wave will reach marriageable age by the mid-1960s. The result—a heavy jump in net new families and a corresponding increase in the demand for housing.

There are also other factors which affect the demand for housing. One of the biggest is the problem of replacing the roughly 60,000 units a year that are destroyed by fire or other natural disaster, or are demolished to make room for some other land use. Additional thousands of housing units simply reach the point of obsolescence and must be improved, replaced or condemned.

There are roughly 43,000,000 non-farm housing units in America today. It would require more than 200,000 new units a year over and above all other demands to replace all existing homes in 200 years. It is anticipating a lot of wear in even the best of the new homes to hope these will last 200 years. And, as a matter of fact, the necessary replacement ratio of pre-World War II built homes is at an even higher rate.

The most difficult element to appraise from the standpoint of demand stems from the tendency of the American family to move at the drop of a railroad ticket from one section of the country to another. Both World War II and the Korean emergency mobilization programs accelerated a long range population shift from older sections of the Northeast, mid-Atlantic states to the mid-west, to the Far West, Pacific Coast States



An estimated 200,000 units are needed each year to replace dilapidated homes such as these found in Memphis slums.



One problem faced by builders is in replacing some 60,000 units a year destroyed by fire, demolished or condemned. Notice condemnation poster.

and the Southwest; from the farms to the cities, from smaller urban communities to the major population centers.

In the Far West alone, for example, the Census Bureau figures showed a net gain between 1940 and 1950 of 5,700,000 persons. Only 2,200,000 was due to a natural increase. Regardless of where these persons came from, their migration to a new area promptly created a new demand for additional housing.

It was precisely for this reason that the Congress enacted in 1950 a defense housing program, giving the chief responsibility to the private building industry, to provide vitally needed housing facilities in critical defense areas. More than 90,000 units were programmed.

Housing experts divide in their opinions as to what attention should be paid to migration from one area of the country to another in totalling the demand for new housing. Some contend it merely means building in one area instead of another, while the over-all demand for the nation is relatively unaffected. Others argue that this write-off of migration is much too arbitrary.

Their contention is that since many moving families previously had established households, the simple act of moving adds one home turned back to the market, and migration then means an added increment to the demand represented by net new families.

Taking a middle course, then, with an adjusted allowance for the effect on the housing market of new comers who join this migratory population rescrambling, the additional housing need due to population shifts can reasonably be anticipated at about 100,000 a year. The actual figure probably is larger.

In addition to the foregoing there are other, less tangible, factors which affect the demand for homes. One is the natural tendency for Americans to look forward to something better, to replace a modest house with a better home. Another is the

shift from smaller homes to large homes as the size of a family increases.

Still another intangible is the "vacancy kitty," a backlog of vacancies to serve as a safety valve or cushion for housing need.

The vacancy rate for non-farm dwelling units, according to 1950 census figures, was only 1.7 of the total. Competent housing authorities recognize the need for a minimum vacancy rate of roughly three per cent to allow home seekers a freedom of choice and to keep prices competitive and healthy.

The national market easily could sustain such a rate without in the least impairing existing values. In addition to all other housing needs, at least 500,000 new units are necessary simply to bring the vacancy rate up to three per cent. Spread out over five years, this means 100,000 dwelling units annually in addition to all other needs.

Adding all of the preceding factors together, the result clearly is a need for a minimum 1,000,000 housing units annually in the United States until 1960. Comprising this figure are: 650,000 to meet the net new family needs; 100,000 for migrants; 200,000 just to take a small nibble at the replacement needs, including compensatory rebuilding for the accidental destruction of housing units, and 100,000 to build the vacancy rate to a healthy level.

At first glance it would appear that the only logical method of providing new housing is to build it. To an extent, this is true. On the other hand it is always possible to expand the supply by carving larger old homes into smaller units, adding additions to existing homes, or converting non-residential buildings to family use.

Conversion, however, can play only a minor role in meeting the housing needs of the nation. During the war years, when every effort was being made nationally to develop housing accommodations with a minimum outlay of critical materials,

conversions never exceeded from 150,000 to 200,000 units a year.

The only satisfactory solution to the ever-present housing problem in a growing nation is new construction.

The United States is in the enviable position of having an industry geared to the times, and more than equal to the task, of providing the minimum need of 1,000,000 housing units a year for the remainder of the present decade.

That is, the industry can do the job necessary providing it is not held down by too many illogical restraints on mortgage credit or building supplies.

It is important to remember that the home building industry has undergone a tremendous metamorphosis during the last quarter century. The early part of that period saw a revolution in mortgage credit procedures. The war years for the first time enabled the mass builder really to come into his own.

If necessary, the housing industry today could produce up to 1,500,000 homes a year. This is considered maximum production on the basis of mortgage credit, materials, metal products, lumber and other supplies, which can be furnished by other segments of the economy for the home building industry.

The building industry truly hit its stride in 1950 when 1,390,000 units—an all time high—were erected across America. In 1949 production climbed to 1,025,000 units. In 1951 production dropped to 1,100,000 units; 1952 saw 1,131,000 units; 1953 production is estimated at about the same volume.

America's new housing needs for the next five to ten years will be met, and some steps will be taken towards replacing older homes which annually are removed from the market because of sheer age.

If the housing industry is prevented from continuing at this building rate by government interference, by an economic slump, or for any other reason, this country will again face a

housing deficit with all the problems, confusion and ills that this entails.

A final word of caution must be given. Building new homes is a complex and involved business, whose ramifications run through every strata of the nation's economy. A sustained and heavy flow of building cannot be easily turned off and on like a water faucet.

Any unwise policies which trim construction, even temporarily, much below the 1,000,000 annual building rate may have even more drastic consequences when the time comes that a faster building rate is required.

5

research builds better homes

There are many reasons why this country leads the world in the percentage of good homes. One reason is—housing research.

In the past few years the American home has shown vast improvements. It is a more livable place than the home erected even 10 years ago. It is, as a lot of folks like to say, “more comfortable.”

It is a better built home. It is a more automatic and less troublesome place in which to live.

Almost every phase of home building has undergone some swift changes since the outbreak of World War II. Push-button comforts, once a dream of the wealthy, such as air conditioning or automatic garbage disposals, are becoming common, thanks to the genius of American manufacturers. Bold, new architectural lines have vigorously attacked the monotony of row houses to satisfy the average American's longing for individuality.

New ideas in built-in furniture, in “bringing the outdoors indoors,” in vivid color schemes, in reorganized concepts of living space . . . all have developed within a few years.

Tiled bathrooms, attic ventilation, metal kitchen cabinets and venetian blinds once characterized the home of the wealthy. Today they are found in almost every new housing project.

That these changes have taken place are a tribute to the nation's home builders who, inspired by the competition of free enterprise, have boldly taken the lead in breaking trite traditions to provide more enticing homes for America, homes which may be taken for granted here but which stagger the minds of the rest of the world as an indication of fantastic luxuriousness.

What has been accomplished so far in improving housing through research is only a good beginning in a field that was ignored for too many years.

It is understood within the housing industry that there continues to be a measure of disappointment in the public mind that research and new techniques have not accomplished more than they have to cut housing costs over-night.

Eventually, such a goal may be reached. But it is a long way off and it will not be solely the automatic result of research when a \$15,000 home is built for \$7,500, but due as much to a complete reshuffling of the present economic level in the United States.

EASIER TO BUY A HOME



IT IS MUCH EASIER FOR WORKERS TO BUY HOMES TODAY THAN IT WAS IN 1939 . . . FOR WAGES HAVE ADVANCED FASTER THAN HOUSING COSTS.

PEOPLE IN GENERAL MANUFACTURING HAD TO WORK 296 WEEKS TO EARN THE COST OF AN AVERAGE HOME IN 1939. NOW THEIR WAGES FOR JUST 154 WEEKS WILL BUY A NEW 1953 HOME.



Data: Bureau of Labor Statistics

As a matter of fact, good housing costs less in 1953 in proportion to income and the price of other consumer durable goods than was the case a generation or two ago.

Since, as a matter of practicality, the dollar cost of housing is not likely to decrease appreciably within the next decade, the goal of the housing industry will be to provide a continually better product, better equipped and better built, thus giving better value for the housing dollar. It will achieve this improvement through a continuation of multi-fold projects in housing research, all designed to give a continually better home to Americans.

How does housing research operate?

Individually, no builder in the nation possesses the resources or the facilities to conduct the tremendous research necessary to build better homes. Collectively, builders and the government have cooperated through a multitude of projects to discover new products, new techniques and new ideas in homes and home building.

Housing research is a progressive movement, as in medicine or physics, a process in which one project is linked to another in a chain that carries the experiences of the past and scientific effort of the present into practical accomplishments for the future.

The federal government has contributed materially to the progress made by the housing industry. The Housing and Home Finance Agency first began limited research into the technology of home building under the Housing Act of 1948. Subsequently, later housing laws extended this program up to 1953 to include research in the social sciences of home living, economics, finances, urban home development and local housing regulations.

Since Congress specified that the HHFA research program should utilize existing facilities, the agency negotiated contracts with a multitude of government laboratories, universities

and other non-profit research organizations to carry on basic studies in the housing field.

The results of these studies are correlated, and original research is stimulated, by the Housing Research Advisory Board of the National Research Council, a nonprofit organization established during the Civil War. The council issues regular reports on building research which have proved of inestimable value to home builders. Studies on housing research also have been made available by the HHFA's Survey of Housing Research which operate under a contract with the Building Research Advisory Board.

These surveys seek to determine what is being done in the field of housing research, who is doing it, what results have been obtained, and what facilities are available for further work in this field. Perhaps the greatest asset of the surveys is preventing duplication of effort by the various organizations doing housing research, as well as spotlighting important gaps in available knowledge on housing.

As an example of how detailed a survey can be, one conducted in 1952 involved 861 organizations, of which 220 were educational institutions, 46 foundations and non-profit research agencies, 408 professional societies and trade associations, and 107 commercial laboratories.

That particular survey showed that more than 60 per cent of all projects were being conducted by colleges and universities. Nearly 70 per cent were in the technological field, the remainder in what are termed the social science aspects of home living.

Within the technological field, research on building materials accounted for 27 per cent of all projects. A somewhat smaller percentage of projects was based on building techniques and mechanical equipment of buildings. Together, these two phases of research, accounting for 51 per cent of all

projects, were focused on the physical components of buildings.

In late 1952, the board of directors of the National Association of Home Builders started a new research organization—the Home Builders Research Institute. The major objective of the institute is to stimulate new housing research by identifying for study the problems confronting the home building industry, and to disseminate new information to the home builders of the nation who make up the NAHB.

Field trials of laboratory-tested ideas not yet developed to the point of general application, also are conducted by the HBRI. At the same time, through advisory service to research organizations, industry and government, research efforts are directed towards the more pressing needs in research which otherwise might be ignored by organizations engaged in this technical field.

A direct and beneficial result of the HBRI has been to supply to NAHB members and affiliated groups technical information and to advise on individual problems which may be faced by the builder of a single house, or the mass contractor erecting one thousand new homes.

The HBRI maintains close liaison with allied professional organizations, such as architects and land use institutes; with various government and industry housing agencies and organizations, with manufacturers and trade groups affiliated with the building industry and with research laboratories. This type of cooperation shows promise of making the HBRI a valuable adjunct in the field of research by spreading news of new activities and research between various research groups, and passing new information along to the industry.

In addition to the foregoing research programs and organizations which stimulate investigation into the housing industry, a variety of government agencies also handle special research projects allied with their own field of work. Among

these are the Bureau of the Census, Bureau of Labor Statistics, National Bureau of Standards, Public Health Service, the U. S. Weather Bureau, the Forest Products Laboratory of the Bureau of Entomology and Plant Quarantine, and the Bureau of Plant Industry of the Department of Agriculture.

The wide variety of research activities of these agencies is little short of amazing. They range from tests on materials and their use and construction techniques designed to improve operations and lower costs, to studies of factors influencing the building and buying of homes.

Cost factors of various types of home building organizations, from companies erecting fabricated houses to the builders of large projects, are analyzed, studied, and made available to the industry.

Rental housing has been carefully reviewed as to the investment possibilities to the original builder, to the effect of family mobility on residential values.

Studies in housing technology cover a wide range of subjects, such as the effects of temperature and humidity on the livability of various types of housing; plumbing and sewage; heating systems; snow loads; the use of steel supports; flashings; paints; concrete; performance standards of various types of construction, and the effects of various designs upon basic home patterns.

In some instances the effects of design on the part of individuals who buy homes are given considerable study. In other instances, the human reaction to various ideas in organizing homes into more livable structures are given careful analysis.

Science is seeking, for example, to remove unnecessary fatigue factors from the home of tomorrow. There is no single solution to this complex problem, for if an answer to one factor is discovered today it may be outmoded tomorrow simply because the American people are rapidly changing living habits due to changing social and economic conditions.

There is no doubt that families can be, and are, subject to frustration as well as undue fatigue by improper planning. The problems of good space design which beset architects and builders everywhere, are under study by numerous organizations.

As answers slowly evolve, space will be used more efficiently, both in construction techniques and in the end product—the home itself. One result of all this will be constantly improved houses for less money.

An interesting example of research is the use of a flexible “space use laboratory” house to test the reaction of a householder to various space arrangements. The project is in operation on the campus of the University of Illinois. The research is sponsored by the HHFA through the Small Homes Council.

The laboratory house is so constructed that it can be remodeled by simply moving movable walls around. Actual families have taken turns living in the laboratory house.

Analyzing the results of expressed likes and dislikes, the Council found that the preferred living room is at least 12 by 18 feet, and is normally the center for entertaining, children’s recreation and study, sewing and family relaxation. Additional studies also revealed that in rural areas the living room is a popular place for a housewife to iron clothes.

Other factors also have been discovered by home living surveys. One of these is that there is a wide disparity of opinion among householders as to whether a house needs a separate dining room, or simply a dining alcove.

Utility space on the first floor is gaining in popularity. In urban areas housewives have expressed a strong preference for a good size utility room which, in addition to heating and fuel storage, provides space for washing facilities, a clothes basket, ironing board, storage shelves for canned goods, and room for brooms, mops and a vacuum cleaner.

In many cases the utility room also is seen as providing space



A research-minded San Antonio builder came up with mobile wall sections. A housewife could rearrange all storage space by herself.

← Mobile wall section being tilted into place by workers.



Three mobile closet units form a non-bearing wall partition between rooms.



An example of cost-saving products made available to home builders through research by manufacturers are aluminum windows ready for installation.



These apartments in Los Angeles are renting for around \$50 per month, far below the market, due to builders' sound construction and engineering research.



At left, the off-site fabrication "plumbing tree" is a tangible result of industry research. At right, a prefabricated gable end is being placed in position. Walls can be fabricated on jig tables in shops at the job site. The result is cost savings.



A familiar sight today is exterior walls built in construction sheds and put in place on the foundation by skilled workers. Such cost-saving construction devices are the result of builder research.



Today's "revolution in living" with its indoor-outdoor living is a credit to industry research.



Your parents and grandparents can readily appreciate the advantages of today's kitchens.



Notice the open planning—a result of design and construction research.

for inside clothes drying, and storage of garden tools, toys and window screens. If built as an "ell" on a single-story home a utility room also can mean a definite savings in cost over a full basement.

Studies also have revealed that householders place a high regard upon closets and storage space. Now the problem of storage space may, at first glance, appear to be the simplest of all problems in building a home to solve: Provide a lot of closets. But this is not the case.

There are three principles of storage which must be borne in mind. First, that storage is wanted at the "place of first use"; second, clear visibility is a factor in the proper use of storage space, and third, there must be easy access to desired items. In addition, it has been found that if adjustable shelves and rods are provided in closets used by children, space which may seem inadequate otherwise becomes much more plentiful.

At least one porch apparently is wanted by practically every home owner. Surveys have revealed, however, that except in rural areas porches are seldom in use outside the south. This has led many builders to use the cost of a porch to install other, more useful features. The present trend towards opening the house to the outdoors through the use of large doors and large glass areas may result in a diminished demand for porches since, in effect, under these conditions living areas become porches in themselves.

According to the HHFA, the "most wanted house" by most families today is built on a single level, has a basement, porch and six rooms in addition to the bathroom. These include a kitchen with eating space, a living room, separate dining room and three bedrooms.

One of the most notable surveys made in recent years to determine what younger American families want in a home was undertaken jointly by the national magazine "Living For

Young Homemakers" and the National Association of Home Builders. Some 40,000 families from one end of the nation to the other were polled on what they want most in a home.

Here are the highlights from the survey:

Forty per cent preferred the "ranch house" type of architecture, against 25 per cent for traditional and 33 per cent for modern design.

One story or split-level houses with one-car garages attached are popular, whereas carports are a poor second. The preferred exteriors are wood and stone pleasantly blended—followed by a house of all brick or all stone.

More than one-half the families requested three bedrooms.

A price range of \$10,000 to \$15,000 was acceptable to 40 per cent; \$7,500 to \$10,000 for 19 per cent, and \$15,000 and up for 32 per cent.

If necessary, the average person polled would accept a dining alcove off the living room, but 41 per cent expressed a strong preference for a separate dining room.

They also voted heavily for a separate utility room and one and one-half baths, plus a full basement.

Forced warm air heating systems were voted by 40 per cent, and radiant heating by 37 per cent, with a majority of these being southerners.

A kitchen with eating space closed from the dining room was favored by 85 per cent.

One major result of this survey is that it will permit forward looking builders to tailor their products to the demands of the majority, tempered with concessions to family income and the needs of the minority groups. This is a realistic example of practical research by private enterprise, an example of the effort made by the building industry to encourage progress by the home builders of America.

Outside the field of national research, with its emphasis on needs and desires throughout the country, there is a growing

field of research by municipalities. Chiefly, these are devoted to the actual problems faced by the cities, and have been undertaken both by cities on their own initiative and in co-operation with the federal government.

Community research in the field of housing surveys have added significantly to the knowledge of housing needs in particular areas. Denver, Cleveland, Miami and Chicago are outstanding examples of cities which have developed what are termed "perpetual inventories" to keep constant track of population trends and other economic and social factors affecting the cities, with the result that the housing needs basic to these inventories are always known.

Cooperative, non-profit research groups also have been established in some cities. The principal aim of this research is a concern for knowledge of the behavior of the local housing market—from the point of view of mortgage lenders, operative builders, land developers, real estate appraisers and government agencies. The factors that have come up for closest study touch upon: residential vacancies, rate of building activity, market prices, unsold inventory, construction costs, residential rents, real estate sales, mortgage financing and home foreclosures. The knowledge obtained on each set of factors is generally made available to all local organizations interested in up-to-date factual data on conditions and trends of the local market.

The Urban Land Institute of Washington, D.C., has made extremely valuable studies of the problems involved in community planning. Typical of the work of the ULI is the intensive study it made of planning living accommodations in expanding defense areas.

The ULI found, for example, that for each 1,000 persons employed in a basic industry a total population of around 7,000 is generated. This one piece of information, alone, has helped dozens of municipalities plan for needs far beyond the number

of persons directly employed in any new major plant or installation.

America has contributed much to the world since World War II in economic and technical assistance. But America also has learned from other regions.

In an effort to "import" information of technical value, a group of active home builders from the National Association of Home Builders recently inaugurated a European Housing Study Committee. Annually trips abroad are taken by this committee to keep abreast of new techniques developed elsewhere.

Since every phase of the home building industry is affected by scientific research it is obvious that the tremendous benefits this sense of inquiry have developed in the last decade are merely a start on what is the ultimate goal of the home builder—the finest, most livable permanent home for the least possible cost.

The field of research, itself, however, is a factor which also needs improving. Cooperative efforts between government and private industry are only now beginning to materialize. But it is the opinion of many experts in the industry that as cooperation grows in the future, private groups, rather than governmental agencies, should take the lead in pushing for the most diversified, and necessary, research.

6

putting public relations to work

A veteran public relations expert once said, “good public relations is simply letting the public know about the right way of doing things.”

What he omitted, however, is that good public relations often leads to increased business and greater profits.

Good public relations enhances a builder's reputation. Moreover, it can enrich his prestige to a point where his integrity and dependability will be above reproach.

To be effective, a good public relations program—like a man's reputation—must be judged over a reasonable period of time. Fly-by-night operators in any business never attain the same community respect as the man who has reaped the seeds of goodwill for several years.

Furthermore, good public relations goes hand in hand with good merchandising; each often overlaps the other.

Builder public relations programs are constructed somewhat like a house. An enduring structure must be erected over a firm foundation. Likewise, improved techniques and good ideas are as essential to a sound public relations program as the most durable materials needed for good home construction.

Public relations programs should be set up—if none exist—and be re-examined regularly for improvements and effectiveness. Such programs start on a scale consistent with a builder's budget and may be expanded once underway.

One builder's opinion as to what constitutes a good public relations program may differ widely with his equally successful competitor. But here are a few standard good public relations practices in wide use today among successful business men:

1. OFFICE RELATIONS

Every organization, regardless of size, transacts business daily with many people. The courtesy displayed—whether it be by an elevator or telephone operator, a receptionist or the top man himself—is largely instrumental in influencing a person's favorable opinion of the firm.

Every employee who makes a buyer happy is a powerful influence for good public relations. Cordial office atmosphere inspires worker initiative and loyalty.

Employees not loyal to product, employer, and industry, should be replaced. They are a liability and can largely undo goodwill developed by others. Moreover, a "sour pickle" spoils employee relationships.

Framed copies of codes of ethics are displayed to good advantage along with various awards and citations received by the progressive builder. Such displays are impressive to visitor and customer alike and greatly enhance the appearance of the business office.

Window displays and models of homes or developments in builder offices also attract favorable attention and help sell services and products.

Successful builders are mindful of the fact that sales often depend on their ability to "win friends and influence people." Therefore, the office which breeds goodwill is a good start upon which to build better public relations.

2. LABOR-MANAGEMENT RELATIONS

Good labor-management relations is just as important to the builder employing a dozen men as to the corporation with a payroll of 500. Public relations cannot be limited to a small staff of experts. Neither is it confined to any one person in a firm. It is an operating philosophy that must permeate the entire organization from the president to the least paid laborer.

Good employee relations is a vital factor to the employer anxious to obtain teamwork, higher labor productivity and efficiency. Keeping employees informed on how their work contributes to company activity and progress—by verbal or written means—makes each worker feel he is an integral part of the business. Moreover, an “informed” employee is better equipped to understand and help solve problems confronting top personnel.

A “boss” taking occasional time to chat personally with his staff also helps to win appreciation for his problems and in turn promotes confidence and loyalty.

A successfully employed “trade secret” of labor-management relations is the suggestion box. Ideas submitted in this fashion by employees often turn out to be practical methods of saving money, time and materials. A bonus for worthwhile suggestions is an extra incentive to maintain the flow of ideas—which also help dispel the “I only work here” attitude.

One Memphis, Tennessee, builder provided free life and hospital insurance for his employees and soon found a new high in operating efficiency in his office.

3. LOCAL BUILDING ASSOCIATION ACTIVITIES

A friendly association of professional men is of inestimable value in stimulating development of good public relations for

individual, firm, and industry. Social affiliations by business men provide the opportunity to mix business with pleasure and usually turns out mutually beneficial to those participating.

That is why most prominent builders join a local trade association and contribute to its long range public relations and research programs. By affiliating they accomplish jointly something which would otherwise be too expensive or time consuming for one person or firm.

Here are several public relations activities undertaken by independent local associations and/or with the assistance of parent groups nationally organized:

4. MODEL HOMES

Models of various parts of a house—walls, doors, joists—were built at Columbus, Ohio, and then made available to public schools for display. Newspaper and other publicity on the activity attracted parents to the models where association members were available to explain the basic elements of good home construction.

5. CLASSROOM LESSON PLANS

Ready-prepared classroom lessons for teachers and students have provided a valuable media in explaining important steps in home construction and purchases to future home buyers. Another public relations aid available for class use is a comprehensive debate manual which may be used in secondary grades through college.

6. BUILDER'S LIBRARY

A collection known as the "Builder's Library," which was gathered and presented by Houston builders to the University of Houston, helped foster greater understanding of the profession among Texans.

7. ROUND TABLE FORUM

A round table forum sponsored by the St. Louis Association in which FHA officials discussed vital problems proved beneficial to both the group and individual members and provided news for wide newspaper and radio coverage.

8. BUILDER OF THE MONTH AWARDS

Some groups regularly select a "Builder of the Month" and bestow appropriate recognition to those meeting carefully prescribed requirements. Publicity on awards of this type alert the public to the integrity and dependability of area builders and their desire and efforts for self improvement.

9. DONOR PROGRAMS

In St. Paul, Minnesota, and in other cities, builders gained noticeable public respect by conducting an intensive blood donor program among themselves and shipping the plasma direct to the Korean battlefront. Other types of worthy donor programs exist which capture the attention of the public, and at the same time, serve good causes.

10. BUILDING CODE REVISIONS

In some cities where old-fashioned building codes required revising, builder associations have conferred with city officials and commissions urging—successfully—adoption of new codes to benefit the entire community.

11. HOME SHOWS

Possibilities for good public relations resulting from home shows are unlimited. Here potential buyers can see displays of builders and those allied with the profession. Almost every association member takes part in some way. In many shows a large booth promotes the sponsoring association itself, home ownership or other themes.

Remodeling was the basic theme for one show. An unusual “before and after” house was designed by local architectural students in cooperation with the local chapter of the American Institute of Architects. Exterior surfaces, windows, furnishings, etc., were developed by supply dealers.

12. SPEAKER BUREAUS

Many builders with diversified experiences head civic housing committees and take part in civic group meetings. Specialists in the local building association, who also possess a wealth of valuable information, often discuss current and important topics at club and group gatherings.

13. OFFICIAL INSIGNIA

Individual members of the building fraternity promote their industry through use of its official insignia. Employed in newspaper advertising, on road signs, telephone directory listings, these emblems have become known as "introductions to reliability," and have attracted sales.

14. INSTITUTIONAL ADVERTISING

Full page ads sponsored by home builder associations, and financed "in the interest of free enterprise in private building by leading builders and suppliers," emphasize industry accomplishment. Good public relations such as this brings prominent building names and firms before the public, together with an appropriate and timely message.

In one particular instance institutional advertising called attention to vandalism on new project sites.

15. INTER-INDUSTRY BOOSTERS

When 11 new major industries came into their territory, South Jersey builders sponsored a testimonial salute attended by nearly 500 business, industrial building and civic leaders. Newspapers reported the event. The builders went on record with the statement, "We, the home builders, are the keystone in this edifice of progress. We need it as it needs us. The expansion has begun! We will take the lead in saluting South Jersey's multi-million dollar expansion."

16. "PREVENTIVE" PUBLIC RELATIONS

Committees organized to handle legitimate complaints by new buyers have accomplished gratifying results in solving problems before they erupted into unfortunate publicity to individual builder and industry. Such "preventive" public relations can handle problems before they become serious.

17. NATIONAL ACTIVITIES

Many builders take part in national activities where new ideas are constantly being studied and projected or in the process of experimentation. The best of these are digested and presented at conferences or in trade publications.

Exchange of new construction techniques and cost cutting devices by intra-industry conferences enables builders to provide more product for less money. Keeping abreast of the times is good business. People will buy from progressive merchants whose new homes are of the latest design. And publicity helps identify the builder who is constantly adding to his professional knowledge and experience by attending local and national building seminars.

Publicity also lets the public know about the energetic builder who submits entries in local and national award programs. And if the builder is honored as an award winner, publicity helps spread his recognition by fellow builders and reflects new credit upon the industry.

Trade newspapers, magazines and national trade association publications convey an abundance of timely information on public relations activities. This type of liaison with building specialists permits every builder—no matter where he is located—to keep constantly informed about industry advances.

18. NATIONAL HOME WEEK

National Home Week, usually the third week in September, is when the builder invites the public to see his product.

Many projects have been effectively employed to spark National Home Week, sponsored by the National Association of Home Builders. Here are some:

Seattle builders staged a beauty contest with the winner presiding over the week-long affair. The stunt brought names of prominent builders and the building association before the public, which helped attract visitors to building sites.

Students—the home buyers of tomorrow—have been invited on numerous occasions to tour model homes during National Home Week, as well as other times, with builders briefing them on construction facts and figures.

One New Jersey builder offered prizes to those visiting his model home. Prizes and “give-aways” are successful inducements which help attract crowds, make friends and sell homes. Word travels fast where prizes and favors are concerned.

During National Home Week in Los Angeles, builders invited the local press on a specially conducted tour of their homes. By cooperating closely with real estate editors well in advance of the annual event, Home Week chairmen stand a good chance of being rewarded with special home week newspaper sections.

Most mayors and governors are more than happy to proclaim local observances of Home Week when approached by industry representatives.

Radio stations also offer a medium for widespread dissemination of promotional material. Spot announcements before and during Home Week remind prospective buyers that homes are being displayed.

Radio interviews from model homes are of interest and may



Many home builder trade associations sponsor a "Parade of Homes" in one area with each builder erecting one home on the same street or subdivision. The homes are opened to the public with great fanfare. Above is a "Parade of Homes" in Columbus, Ohio. Below, distinguished visitors visit the site of the Houston Parade of Homes by helicopter.





An aerial view of a recent Parade of Homes in the San Fernando Valley of California. Construction workers and their families formed a spelling act for promotional purposes.



The end result of such promotions is to sell homes. This is a scene in Little Rock, Ark.



Students of today are the housewives of tomorrow. Students in a Des Moines home economics class visit a new home open during National Home Week.



The builder of this Los Angeles subdivision made friends with his buyers by providing a voting registration booth, manned by members of civic organizations.



A Home Show is popular with builders, manufacturers and the public.



Builders' trade associations in many cities make it a regular practice to recognize outstanding achievements of their builder members. In Houston this is done through the medium of "Builder of the Month" award.

offer descriptions of new construction techniques and furnishings.

One method used to catch the buyer's eye was a model in a fabric printed to depict the evolution of home construction from log cabin to contemporary design. Needless to say, this added a great deal of glamor and publicity to the event.

A timely follow-up to the Long Island Home Builders Institute National Home Week celebration was the awarding of certificates of merit to those who helped make the event a success. This was an excellent public relations device which won new friends for the builder and his association.

National Home Week, which is observed in every state, provides every builder with an opportunity for a public relations field day. However, though the largest crowds turn out during home weeks, smart builders realize that public relations is not just a one-week-a-year job. A well-coordinated public relations program pays dividends all through the year for the far-sighted builder.

19. BUILDER AND COMMUNITY

Home builders associate themselves with as many civic activities as time permits. They are active in Community Chest, Red Cross and other drives, and take part in such organizations as the school board, chamber of commerce, church groups and youth development programs. All these social outlets improve civic standing, contacts, and provide a good public relations arena.

Responsible builders and builder groups have taken the initiative around the country to eliminate slums for efficient low-cost housing. Slum clearance is a worthwhile project in which every home builder can participate to make a better

community through private enterprise. Newspapers are anxious to tell the story of such humanitarian activities.

Builder participation in "clean-up, fix-up" campaigns has increased community values and improved health conditions. Much publicity and goodwill have been gained by such leadership on the part of builders.

One builder won praise by erecting a "Drive Safely" sign-board at a dangerous intersection. His concern for safety and well being will be long remembered by parents in the neighborhood. The expense of the sign was negligible, and happy builder-owner relations resulted.

Playground equipment installed by a New Orleans builder on his project paid off. Parents were grateful for the builder's concern about their children's welfare--and told their friends.

By giving youth movements a helping hand, builders have won the friendship of young people in many areas. The youngsters' admiration and respect were also reflected by their parents.

A willingness to participate in civic functions has resulted in many returns of goodwill towards individual builders and their industry.

Contributions of grounds and equipment for community betterment have brought considerable credit to builders. Recognition is also bestowed at dedications and ground breaking ceremonies for playgrounds, churches or schools. The tax paying public is always happy to know when municipal improvements are installed by private enterprise.

When streets, curbs, drains and even bridges are contributed to make a community a better place in which to live, civic-minded businessmen reap wide recognition. This is excellent public relations.

As a public service, one builder erected a voter's registration booth which was to be staffed by women's organizations. Accommodations such as this are appreciated.

Because children are an important factor in every community, farsighted builders plan safety features and use these to advance sales. Money invested in play areas is returned many times in good public relations.

A number of builders who have included such facilities in their developments sponsor children's programs and parties, sporting events and other activities several times a year. These deeds not only foster a warm relationship with the people who live in the development but also minimize the possibility of vandalism—one of the builder's biggest headaches during the construction period.

20. HAPPY CUSTOMERS

Today's progressive builders devote increasing amounts of time and money to keep new home buyers happy.

For many years a builder's main effort was salesmanship and keeping prospective buyers happy until a contract was signed. Efforts are now being made to keep buyers satisfied long after the purchase.

Builders have discovered that if Mrs. Homebuyer is unhappy in her new house she tells other prospective Mrs. Homebuyers. It does not take long for this type of bad publicity to get around. It can prove a lot more detrimental to builders than many realize.

Only the fly-by-night operator will sell a house and then wash his hands of the entire affair. The reputable builder believes in the "after sale treatment" of buyers. To prevent misunderstanding and unnecessary haggling after a sale, builders or salesmen-representatives make pre-purchase inspections with buyers to note any defects before the new owner moves in.

The builder does not step out of the picture once the con-

tract is signed. Quite the contrary. The merchant builder of today knows the importance of good public relations with new buyers because proud owners are likely to talk about their new home to friends.

The after sale treatment is the start of a new phase in the builder's merchandising program. It is good business to keep a buyer happy, to convince him that he obtained the best value for his money.

Perhaps one of the most important ways to keep a buyer happy (which the organized home building industry is trying to establish as standard practice) is through the warranty, or a Home Owner's Service Policy.

Individual builders have adopted versions which differ slightly in content, but the general, overall purpose is the same. With a warranty or service policy, the builder guarantees the material and workmanship on his house for a minimum period of six months. If, during that time, any defects occur which are directly caused by faulty materials or bad workmanship, the builder provides replacements or repairs free of charge.

Most builders also provide the new home owner with a maintenance manual. This explains the features and characteristics of the new house, and tells the buyer how he can best keep it in good condition. A new house, like a new car, must be "broken in," and adequate knowledge on the home owner's part, will forestall many complaints.

The manual mentions a number of unavoidable developments so that the new owner will not think they are symptomatic of a badly-constructed dwelling. Some of these "complaints" are cracks due to expansion and contraction of concrete in basements and sidewalks, seating of basement walls and shrinkage of new lumber.

Lesser personal services which help build goodwill include the presentation of a specially-engraved portfolio or document holder for the new home owner's deeds, insurance policies, tax

papers, plot and floor plans and blueprints for future expansion, etc.

Builders also give buyers picture postcards of their new home which can be mailed to friends, and, in addition, booklets on special features of the house.

21. GOOD NEWSPAPER PUBLICITY

Certainly not to be overlooked in a good public relations program is press information.

Real estate, building and homemaker pages of daily and weekly newspapers offer good publicity outlets to enterprising builders.

It never hurts to advertise but this usually has little influence in getting an item in the editorial columns; it is news value which determines whether a story reaches print.

A public relations-minded builder will get acquainted with the real estate or news editors of his local papers. Personal contact helps to get stories in print and sometimes helps to soften unfavorable ones.

7

the richest asset—a home

The late President Grover Cleveland once said:

“No investment on earth is so safe, so sure, so certain to enrich its owner as a home.”

While most Americans take it rather for granted that there is a value in home ownership over and above any other form of shelter, few actually have stopped to pinpoint the reasons which make home ownership so attractive and so sought after by so many millions of people.

A recent survey was undertaken by the National Association of Home Builders to find out exactly why Americans take so much pride in owning their own home. None of the answers were exactly surprising. Taken together, they are revealing chiefly as an illustration of what major factors in home ownership appeal most strongly to the greatest number.

What follows are the most common ideas expressed about home ownership that were revealed by this study of home owners:

- More people have gotten started towards financial independence through home ownership than in any other way;
- In times of stress—emotional as well as financial—a home represents security; something solid to fall back on. Rents

and living costs may rise; mortgage payments remain substantially the same.

- Cash equity in home ownership is another advantage.
- The matter of credit is important. A home owner can open charge accounts with little trouble, because credit managers realize that home ownership brings with it stability.
- Peace of mind—based on the knowledge that provision has been made for one's family, in case of death.
- A home of one's own provides a sound social background for children.
- A home owner isn't bothered by limitations on the size of the family. The house can expand as the family and income expands.
- Development of responsibility—the home owner feels more responsibility with regard to his home and neighborhood.
- A home provides an opportunity for individual expression in furnishings, decorations, exterior and interior remodeling or alterations.
- Perhaps the most important of all is that intangible known as civic interest. The home owner, because he controls a piece of his community, is much more interested in civic and municipal affairs. This is good for both the owner and the community.
- And there's the matter of health. Pride of possession inspires pleasant and healthful work around home, lawn, shrubs and garden.
- Responsibilities of ownership are such that even employers often favor home owners over non-home owners, regarding employment and promotions. Home owners are permanent members of the community.
- A family can occupy and buy a home on a long term mortgage at approximately the same cost as rent on an apartment of comparable convenience. When the mortgage is paid off,

minor housing expenses for taxes and maintenance remain.

Thus, over a period of years, the family is money ahead.

- The matter of income tax deductions can be substantial, since mortgage interest payments and real estate taxes are deductible from Federal and some state income tax returns.

8

merchandising magicians

Producing a good product is only half the task. The other half, obviously just as important, is to sell it. So it is with building. A good house is no good to the builder unless it is quickly sold, and the money re-invested in more houses, completing the building cycle.

A good house is its own best salesman. Every intelligent builder knows that. The better housing buy he puts on the market, the less merchandising effort needed. Building value into a house means using modern methods and equipment to produce more house per dollar, with efficiency in layout, livability and appearance, and good location, as the prime requirement.

Once the house is built the problem remains of bringing it to public attention, arousing public interest, and selling it. These things come under the general heading of merchandising, and comprise a major and vital part of the modern builder's operations.

The merchant builder has many merchandising avenues, including newspaper advertising, booklets and pamphlets, radio and television, signs and billboards, magazine publicity, public relations programs, model homes, informed salesmen, word-of-mouth publicity, souvenirs, construction warranties and after-sales activities. Of course, the major sales help is a good house at a fair price in a top location.

Every builder recognizes the value and necessity of newspaper advertising and publicity. This generally is the focal point of a successful merchandising campaign. Sales promotion can succeed only when properly exposed to potential buyers.

Practically every builder advertises in a variety of ways. For instance, large ads—not less than a quarter page—are generally far more effective than several small ones. This has been determined by a number of leading builders. But small ads are effective when used in the intervals between days when large ads appear—days which are naturally chosen for the best reader response in the particular newspaper used.

Then, there is the question of ad wording and display. Progressive builders spotlight different features of their homes or developments in a series of ads. For example, one day financial facts may be featured, including such information as down payments, interest charges, taxes and monthly mortgage payments. This enables the prospective buyer to decide for himself whether he can afford the house advertised.

In another ad, the builder may give construction facts, featuring house quality with emphasis on structure. In this way, the prospect, who already feels he can afford the house, is now assured that he will be getting good value for his money.

A new and effective means of advertising is the “editorial ad,” which consists of captioned pictures of one or more homes inserted among the newspaper’s reading material.

“Question and answer” ads are also used with marked success by modern builders. These ads answer many of the questions commonly asked about developments or individual dwellings. They also may have space reserved for coupons to be mailed to the builder who, in turn, will send further information.

These methods have one end in view—to make the reader visit the house for sale.

News stories in the real estate or editorial sections of news-

papers also help attract buyers to new homes. Therefore, every promotion-conscious builder must keep his local newspaper editor informed about the progress of his development. News releases or personal contact are the usual methods used to accomplish this.

Builders benefit when their houses are featured in both national and trade magazines. Such articles give rise to inquiries. Moreover, they constitute a continuous publicity tool in the form of reprints which can be mailed to prospects. They can also be used for offices and model homes, and as material for advertising.

No discussion of advertising or publicity would be complete without mention of radio and television.

Radio offers the builder a splendid advertising medium through which to disseminate information on all phases of home construction. Many builders have their own local programs, and some sponsor a national housing news commentary called "Housing Headlines," produced by the National Association of Home Builders.

Television, though generally more expensive than radio advertising, is valuable to large developers or groups of builders because it enables them to show their houses to a sizable audience at one time. And in the housing business, perhaps more than any other, visual appeal is the most telling.

Up to this point, all merchandising methods discussed have had one end result in view—to arouse the interest and confidence of the prospective customers. If this is accomplished, the prospect will visit either the builder's office or his project to see and learn more about the houses up for sale.

Here the builder's merchandising program merges somewhat into the field of public relations, for his personal contact with his prospective customer is an important one. He will see to it that his office is a pleasant, comfortable place in which to

meet customers, and that his reception and sales staff are courteous and helpful.

In all promotional literature, successful builders have found that it is a smart idea to use a trade-mark to identify their company or their projects. This makes it easier for the customer to remember and recognize the projects when he sees them.

In addition, names given to different models help the buyer in identifying the house of his choice.

A trade-mark is used by builders in every promotional activity, not the least important of which is the billboard. An attractively designed billboard will catch the motorists' eye when placed strategically along highways exposed to heavy traffic.

The billboard not only advertises the project but tells how to reach it. Moreover, the billboard is an ad medium which attracts new prospects.

Another aid to help the prospective buyer locate the project is the use of small signs and directional markers.

If the builder's merchandising program is in high gear, the buyer certainly will not find unmade roads or duckboard walks when he visits the project. The modern merchant builder plans his overall project before he starts the first foundation. Well laid-out paved streets are invariably included in the overall plan. And at this point the builder has a most important and effective merchandising tool at his disposal—the model home.

The display of model homes varies among builders. Most contractors have their homes furnished by one of the city's leading decorating firms or department stores. Hostesses are employed to greet visitors, and courteous salesmen are available to give any specific information requested.

Other builders, however, prefer to have model homes decorated, but unfurnished, in order that attention shall be focused on the structural qualities and the many "built-in" and packaged conveniences included in the purchase price.



A good house is its own best salesman.



A Milwaukee builder uses the "X-Ray House" technique on one unit so prospective buyers can inspect interior and exterior construction techniques and materials used. Notice small signs on various construction items.





A Seattle builder makes effective use of lighting to showcase his model house.



A New Orleans builder, in order to show prospects the widest possible selection of home designs, put up 31 furnished model houses from which he took orders. Altogether he offered 75 exterior variations for 13 floor plans throughout the entire subdivision.



Signs still remain a basic sales tool of every builder. These signs reflect outstanding design and construction technique in themselves.



The salesman plays an important role. He must know what the buyer wants and convince the prospect that this house is the best buy on the market.

Aggressive builders are skilled in the use of advertising. This project developer told about his new development in a 14-page special section in the Louisville Courier-Journal.

The Courier-Journal LYNNVIEW HOME SECTION SUNDAY, MAY 24, 1953

Open The Door To Better Living

FOR YOU AND YOUR FAMILY . . .



LIVE IN
LOUISVILLE'S NEW \$5,000,000
HOME DEVELOPMENT

Lynnview

4 Model Homes
OPEN TODAY!



Here is part of the crowd attracted to the scene by the above advertising. The covered entrance holds blueprints, floor plans and pictures of interiors, elevations, together with other pertinent data of interest to the prospective buyer.

One Miami builder showed two model homes—one at the price advertised, and the other with added refinements. The “extras” in the second house were plainly marked.

The model house, furnished or unfurnished, is a powerful argument in the builder’s favor. Nevertheless, good salesmanship is always needed. Keeping salesmen informed is another branch of the builder’s merchandising service. One well-known builder gives his salesmen a 12-week “brush-up” course annually.

Builders realize that purchasing a home is not like buying a car. A new house is very often a once-in-a-lifetime proposition, and certainly the largest single investment that the average person will ever make.

To illustrate these points, here is the 14-point merchandising program of a typical merchant builder in Bethesda, Maryland. The program won national recognition in a contest for merchandising programs sponsored by a leading trade magazine:

1. HOME STYLE

This builder geared his entire merchandising program to attract the buyer looking for a “contemporary” rather than the conventional-type dwelling.

2. LOCATION

Having decided to build contemporary homes, the contractor surveyed the entire metropolitan area before finding a suitable location in an area with little competition.

3. OFFICE LOCATION

To help sales, the builder opened a modern office at a conspicuous intersection near the project.

4. ADVERTISING

The builder, a firm advocate of newspaper advertising, uses both metropolitan and county newspapers to attract the public to his homes.

5. PUBLICITY

As an advertising supplement, he feeds feature stories to the press, always maintaining cordial relations with real estate editors. Resultant publicity is displayed in offices and model homes. This firm also takes part in newspaper-sponsored exhibit home programs.

6. NATIONAL HOME WEEK

During this week the company opens a model house and invites school and civic organizations to inspect building operations.

7. NATIONAL MAGAZINES

Each home erected by this contractor has been featured in some major publication. This is always followed up with tie-in newspaper advertising.

8. SIGNS

The builder claims he spends, relatively speaking, as much time in the design and construction of signs as he does in designing a home.

9. RADIO

The firm has sponsored a national radio program, "Housing Headlines," giving 12 minutes of housing news and 3 minutes of commercials, and has received favorable response.

10. HOME SHOW

Each year this firm participates in the local home show, exhibiting photo murals of model homes and floor plans.

11. WARRANTY

Each buyer, when he moves into his new home, is given a written warranty protecting him against defective workmanship and materials for six months.

12. MOVE-IN DAY

Upon taking title, the buyer is also provided with a "Valuable Documents" folder, including plot plan, warranty, keys and key rings, home maintenance booklet and other material.

13. AFTER SALES TREATMENT

Repair forms have been set up to handle justifiable complaints. These are passed to subcontractors and construction foremen, who make necessary repairs with a minimum of delay.

14. COMMUNITY LIAISON

Close contact is maintained with personnel and housing officials of large installations in the area.

These steps, and others too numerous to outline, are the focal point of a worthwhile merchandising program for the modern builder. But none of them is any good unless the house to be sold merits the build-up. In the last analysis, it is the house itself that is the builder's advertisement. The contractor must constantly be alert to improving the quality of his product.

A smart businessman knows that good dollar value rather than mere low price will result in a steady turnover. Research is as important to this businessman as building and sales. He keeps up to date on the latest trends and developments through his trade association and building magazines.

He also keeps abreast of the buyer's market. He finds out what the buyer wants and then sets his technicians to work to see how he can satisfy these wants at a price the buyer can afford.

To do this the builder must not only keep his ear to the ground in his own community—he must follow national trends with the aid of publications and groups which conduct surveys on public taste.

One survey undertaken by a national trade magazine listed 20 features most desired by home owners. Kitchen cabinets topped the list—evidence of the housewife's influence on home

choice. In second place were tiled bathrooms. Color styling was third—a comparatively new, but fast-growing development in modern community planning.

Gone are the days of “peas-in-a-pod” housing—even low-priced projects can now have individuality by the proper use of color.

Storage space was number four on the list. Buyers wanted not only the conventional room closets, but judicious use of built-ins and provisions for extra space in attics, garages, etc. In fifth spot were modern kitchen conveniences such as dishwashers and garbage disposals, now included in the majority of new developments. Other most-wanted features included sliding closet doors, picture windows, kitchen dining space and ideal lighting.

what's new in the new home?

They built some mighty fine houses in the old days—too. Solid beams of sturdy oak, and field stone, and mortar, and good nails, and some glass, and there she was—sturdy as a clipper ship and ready to house a family in gale or warm summer day. And they still stand, those old homes.

They look good, too. For there is something satisfying about the way they were built by builders who were true craftsmen, artists with saw and hammer and chisel.

But as a matter of practical fact, those old homes that still stand along historic streets and in sheltered corners of the nation, left a lot to be desired in the way of livability. They built rooms small, in those days. They left out the closets. There was no central heating. And the sturdy walls that could withstand a hurricane readily admitted every stray winter draft. They were broiling hot in summer, almost impossible to heat in cold weather. Dampness sent a chill through the house that was as inevitable as the beauty of green exploding in the warm spring.

Today's house, with its slender and graceful lines, its wide windows, its planned living space, is a far cry—a technological century away—from the homes of pre-World War I America—a credit to not only builders, but the manufacturers of building equipment.

Not only the inevitable technological advancements of the past 100 years have accounted for today's superior home—the research that has brought these new techniques and new marvels of our scientific age into the housing industry deserves equal credit.

The preceding chapter outlined the tremendous scope of research programs being undertaken in America.

But what has research actually accomplished in the home in which you want to live?

Here's a quick glance at a few items which have gone to make today's home a better buy dollar-wise, more valuable livable-wise, and built to outlast even the clipper ships: aluminum nails which never rust and never rot, metal and composition siding and shingles which never need painting or repairing; fiber and cement asbestos plumbing pipes to reduce heating bills; windows that stretch from floor to ceiling and offer less heat-loss than a two-foot thick solid wood wall.

And look what has been done by using light-weight aggregate for concrete and plaster—homes are more colorful, warmer in the winter, cooler in the summer.

The evolution in materials is not the only benefit accruing to the housing industry from research. Construction techniques which, when compared with construction methods of a quarter-century ago are dramatically different, are in wide-spread use. But more about this later.

It is interesting to note just what research has uncovered or developed in the way of new materials for housing, or fashions in which the developments in other fields can be applied to homes.

Aluminum, once one of the more expensive metals, has come into wide-spread use in the past few years, and is especially desirable because of its long life, durability, resistance to rust and light weight.

Other metals, too, have been used with increasing frequency.

Where grandfather's massive home depended upon wood, nails and bricks to do the job, the modern home is built to last longer and wear better through such recent innovations as metal window frames, permitting more light per window and a tighter seal against the elements. In numerous instances light-weight steel joists and beams are used which are stronger and more permanent than the heaviest wooden beam.

New shades and tints of paints with longer life and luster have brought color into increasing prominence. The color harmony of a home now constitutes a major factor in both exterior and interior design.

Kitchen finishings reflect what almost amounts to a revolution. Products that even Mother never dreamed of now have become commonplace—plastic, stain proof sink tops; rubber, plastic and asphalt tile floors; built-in storage cabinets; all metal cabinets; built-in breakfast and snack “counters”; efficient design that cuts down markedly on the physical effort of working within the kitchen.

Copper is now widely used in plumbing, since it is a metal with a long life span and offers less chance of rust or corrosion than standard pipes.

There are more changes in windows than meet the average eye. Window panes are available which insulate from the cold as well as admit light: Dual purpose frames permit a quick changeover from summer screen to winter storm panels. The size of windows is one of the most conspicuous differences between traditional and contemporary designed homes.

There is wide enthusiasm for “window walls,” “glass walls” or “picture windows,” which, though costing more than conventional wall construction, are demanded by a large percentage of modern home buyers.

Builders also can buy prefabricated or “packaged” window units in standard sizes from the factories.

Asphalt and composition tile now compete with hardwood

flooring throughout the entire home. They are comfortable, easy to maintain and have a long life span.

The increasing use of asbestos cement and asphalt shingles has marked one of the major changes in roofing. And since these materials are available in color, they can be used to fit harmoniously the color patterns of the entire exterior.

Dry wall finish has enjoyed a marked upsurge in the past few years. The dry wall, or "plaster board," can do substantially an equal job with wet wall or plastered interiors and at lower cost.

Sound absorbing fiber boards in walls and ceilings are used to control the noise in today's modern home.

Notable changes have taken place in the field of heating.

Development of warm-air heating has increased use of counterflow, forced circulation, warm air furnaces.

Forced circulation warm air heating systems feature radial ducts or a perimeter loop fed by radial ducts cast in a floor slab on the ground. Heated air is discharged into the heated space through supply registers located in or near exterior walls. Portions of the floor over the ducts are warmed sufficiently to provide a moderate panel heating effect.

High velocity, small duct systems marketed as a package system have all components supplied by the furnace manufacturer. The furnace in this type system contains a blower capable of circulating necessary quantities of air.

A variety of systems circulate heated air by gravity force through air chambers of hollow masonry built into the floor or ceiling. The heated floor or ceiling forms a radiant panel.

High discharge gravity warm air heating systems have the furnace located on the same floor as the heated spaces. The heated air is discharged from supply outlets near the ceiling rather than near the floor as in conventional gravity warm air systems.

Forced circulation hot water heating has also been greatly

developed. Increased use of radiant panel heating has piping or tubing embedded in a floor slab or ceiling. While this form of heating is not new, its quantity use in medium and low priced dwellings and in multi-family structures did not occur until recently.

This type heating lends itself to the dwellings with a slab on the ground. Where the trend has been towards such construction, there has been considerable increase in the use of radiant panel heating, which has also been used in a number of multi-family structures built in the last few years.

Radiation in the form of radiant baseboards or baseboard convectors is being used in ever-increasing numbers in new construction. Baseboard radiation provides excellent heating because of the very low floor-to-ceiling temperature gradients characteristic of this system and because of the location of the heat source in the heated space.

Finned tubing installed in joist spaces provides heat for air in the joist space and thereby heats the floor, ceiling, or both in the case of an intermediate floor, so as to provide radiant panel heating. The number of installations to date is relatively small, but the method is a comparatively new one in accomplishing radiant panel heating.

Whole house heating by electricity has obtained a good deal of publicity in the past several years. Its economical use generally is limited to exceptionally well-insulated structures or areas enjoying low electrical rates.

Radiant panel heating has been provided by means of electric heating cables embedded in the ceiling plaster or in a concrete floor on the ground. Special prefabricated panels containing various types of conductors are raised in temperature when electric current is supplied to the panel. They also provide radiant panel heating, as does baseboard radiation, with a heating element built into a prefabricated baseboard.

Glass panels heated by a grid fused to the glass and mounted



An up-to-date home of today far excels the homes of 50 years ago in design, construction, materials, safety and comfort.



Today's homes reflect revolution in living, produced by a progressive industry.



Notice the trim lines of this ranch style rambler. Grandma had nothing like this!



Better home design is reflected in the integration of the outdoors and indoors. An "all purpose room" accentuates outdoor living enjoyment indoors.



An example of bringing the outdoors inside. Note floor-to-ceiling window walls.



It is in the kitchen that housewives enjoy the great advances in home design and equipment. Cooking is a pleasure in such a culinary layout.



Today's homes are planned with furniture placement in mind.



Storage walls provide a place for everything. Well planned wall-to-wall cabinets offer much more space than old-fashioned closets. It will be an easy matter for this housewife to place all of the clothes and bedding into these storage walls, with plenty of space left over.





Portable power tools reduce wood cutting operations on sites from hours to minutes.



Power drills with augers for different types of materials have speeded production schedules.



This portable electric power hammer makes short work of hole boring in concrete.

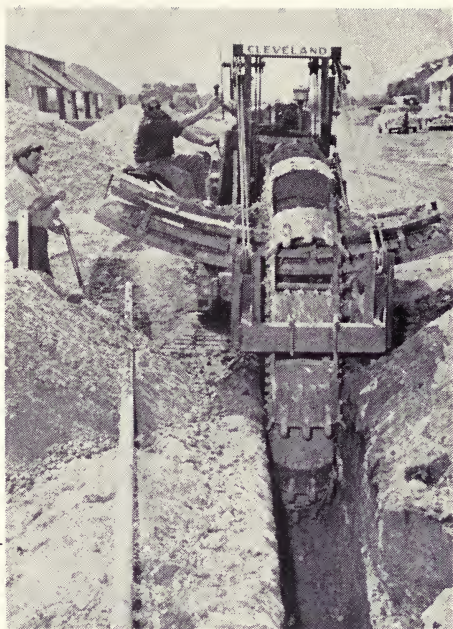


No more hand troweling concrete floor slabs. Builders use this floating and finishing machine which can do up to 25,000 square feet per day.



Out of a pressure hose comes a gunite foundation for a new home, eliminating up to 50% of form lumber and further savings in concrete.

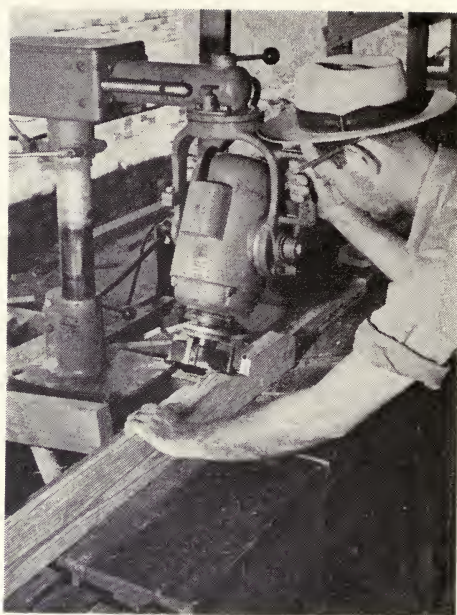
The proverbial ditch digger has a hard time —→ holding a job these days. Mechanical equipment such as this machine does a faster and better job.



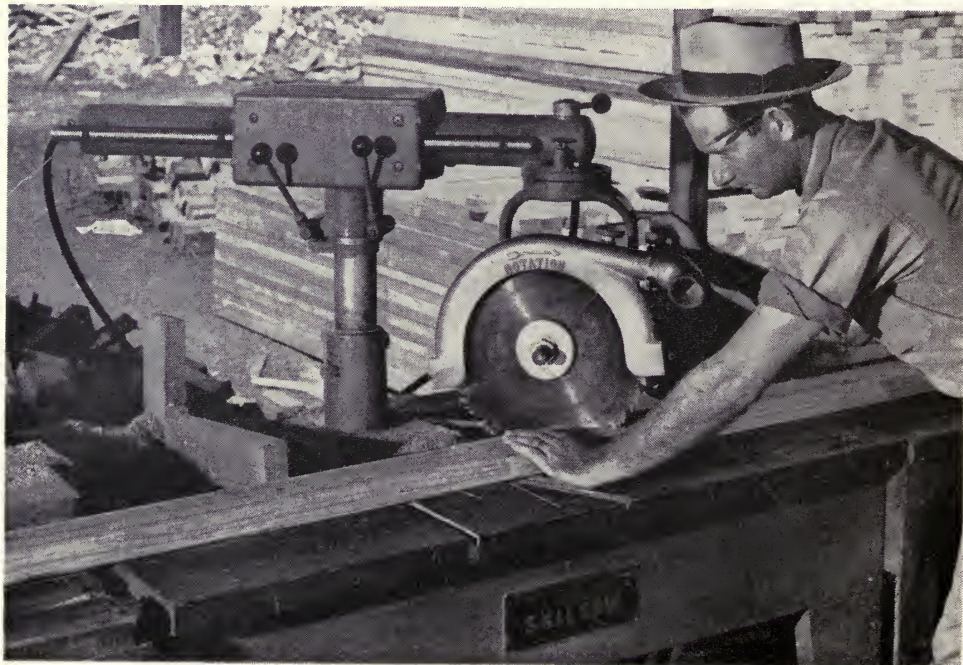
Some builders of large housing developments have their own millwork shops in which hundreds of built-in items are made. Thus an expensive custom-built item becomes an inexpensive unit for a home incorporating custom-built features.



Equipped with a wire cupped brush the power disc sander makes short work of mortar splashing and other dirt or debris.



Notching of rafters is done in one quick operation with this power tool. →



Ridge cuts are done in short order by saw on Dallas home project.



The gridiron pattern of square blocks has given way to curvilinear planning favored by such authoritative groups as the Urban Land Institute.

in a frame have been developed to permit circulation of air behind the glass panel. This provides heating by convection as well as radiation.

The preceding systems involve low-to-moderate surface temperatures, whereas glass panels may attain temperatures in the vicinity of 340° F.

When the National Association of Home Builders in 1952 organized a New Materials Committee to search for new designs, new methods of construction and new materials, the NMC commissioned the New Products Institute of America, in Los Angeles, to conduct this search.

The research conducted by the NPI developed that far more extensive use than then considered feasible could be made of such materials as cement, glass, gypsum, plywood, and fiber products. In many ways, too, aluminum could be used to replace other materials especially copper and steel, then in critical supply because of the shortages engendered by the conflict in Korea.

New hardware also was discovered—such as fittings whose mechanical portions were located on the surface rather than built into the walls. These could be installed quickly. A malleable iron glasscoat prevented rust and corrosion.

A low voltage switching system housed in a plastic control box, replacing the conventional steel outlet box, with a resultant saving of copper and steel was also publicized by the NPI.

Other products included a transite asbestos sewage-conveying cement soil pipe which eliminated expensive lead calking with a substantial labor installation saving. Underground pipes which are root-proof, and plastic indoor gas and water pipes were explained.

It was found that wood flakes fused under heat and pressure could produce a stronger and more durable laminated wood paneling than plywood and at a lower cost. Plastic shower

heads, dust-repelling paint and non-metallic gutters came out of the NPI findings.

The research field has not confined itself to materials, but has evolved dozens of ways to combat rising costs and improve efficiency on the job. Careful attention to job operations and the use of mechanical equipment have given home building some of the aspects of the mass, precision industries.

On large housing subdivisions or projects it is now a standard procedure to see central areas established to pre-cut and assemble many elements of the homes, such as framing, piping assemblies for bathrooms and kitchens, and heating facilities.

On even small building operations a high degree of mechanization is popular. Such items as electric hand saws which can even be used to cut masonry and metals; radial saws, electric floor and hand model sanders, electric lock mortisers, electric drills, pipe cutters and threaders, power concrete mixers, factory-made forms for concrete work, paint sprayers and power shovels appear on almost every job site.

In addition, larger operations generally employ truck-mounted cranes, dump buckets, portable elevator towers, motorized wheelbarrows, lift trucks for stacking lumber, and "straddle trucks" as lumber carriers.

Practically all home builders make use of temporary, but completely equipped, shops at the building site for fabricating parts. Jig tables and general jig equipment has brought about both a standardization and simpler construction of such structures as roof trusses, walls, partitions and floor framing.

Inevitably it is the private builder who translates research into results, often far in advance of what local or federal agencies may approve. In cooperation with manufacturers of building materials and equipment, they have steadily pushed new ideas, new methods, new materials into the forefront, translating research into the most practicable result—a better home for a better housed America.

10

they build cities

Since the dawn of history, man has aspired to write two great dreams upon the record books. The first, the capture of empires. The second, the building of a lasting memorial.

It is no longer possible, as Messrs. Hitler and Mussolini bitterly discovered, to tuck empires under one's belt. But the creation of memorials is something still to capture the vision and dreams of any man.

If it is not given to many men to be another Gutzon Borglum and carve heroic figures as he did with the heads of Washington, Jefferson, Lincoln and Theodore Roosevelt on a mile-high mountain peak, lesser, but equally as vital memorials still are being built in America today.

These memorials are cities.

They are not cities in the accepted sense. They are, however, real and living towns, inevitably the inspiration of one man. In a more formal sense, these cities are what the home building industry has termed rather prosaically, the "Integrated Community."

Whatever name one wishes to use, these private "small towns," represent the newest phase of the home building industry in America today.

America long was a country of villages and small towns. And the big cities really took a long, long while to grow up.

One hundred years ago New York had a population of only some 600,000 and New York required 250 years to grow that large. There was room in this country for a man to stretch and yawn. And if New York or Baltimore or St. Louis was overcrowded, thousands of miles of empty land stretched between raw and bumptious Chicago to the Pacific Ocean.

The vacant lot next door once was traditional. It was big enough for the city kid to wiggle his toes in the dirt and play baseball, while in the old neighborhood Dad could walk to work, only a few blocks away. The whole family strolled pleasantly to church on Sundays.

The cities grew bigger, packed by the overflow from the farms and the immigrants, all pouring steadily into the bright urban centers where life beckoned and coaxed and a man could become another Horatio Alger overnight. This growth then began to give trouble. It was not the clean, steady expansion of horizons, but a crowded, choking growth of endless extensions to endless streets, and rows and rows of houses. The street cars, the buses and the subway shoved the factories and big stores off into dense, dirty corners of the cities. The streams and rivers were polluted by the discharge of a dynamic industrial machine that grew madly, making America strong and noisy. And yet few men worried that the barefoot kid no longer walked to a fishing hole at the edge of town, but played and brawled and danced on sweltering asphalt streets. The very rich escaped the penalty of the 1870's to 1930's of cities staggering under the burdens of sweating tenements, 20-foot front-ages, and cold water flats piled two, three and four stories deep. But this country never was meant to be a land of the few favored rich. Her bounty was too contagious to be held in the tight fists of any old world landed gentry or titled industrialists.

The poor grew fewer. And if the rich grew richer, why the man with a job or a small business grew vastly more important in this land than he had ever been before.

Before 1900 a good many persons recognized that the advantages of the larger cities, in terms of work, wages, educational and cultural opportunities often were cancelled out by the increasing loss of "neighborhood" living—the qualities of environment that make small towns so emotionally pleasing. A few were obsessed with a desire to "do something about it," to create, through their own efforts, decent integrated communities which could capture the essence of small town neighborhood living without sacrificing the opportunities offered in large cities.

The earliest private communities were actually several important steps removed from such complete towns as Levittown, Penn., or Midwest City, Okla. Basically, they were exclusive residential districts, designed for the higher middle and upper income bracket families. In Roland Park, Baltimore, one of the nation's first planned communities, for example, the first restrictions prohibited homes costing less than from \$3,000 to \$5,000. In 1954 \$5,000 may seem infinitesimal, but in the 1890's that sum would build a 12 to 14 room house.

Yet in constructing Roland Park, Edward H. Bouton, founder of the Roland Park Co., pioneered the actual work of what heretofore had been, at best, a speculative, often visionary, dream.

The site of Roland Park originally lay outside Baltimore proper, some four miles from the downtown area, a distance which led more "practical" Baltimore builders to characterize it as a fool's development. Despite the raucous discouragement of the building industry, Bouton engaged the services of the famed Olmsted brothers, landscape architects in Boston, to design their master plan. The result was one of the first examples in America of a development fitted to the contours of the land. The layout of the original site is considered somewhat wasteful of ground space today, yet the Olmsted brothers' handiwork even then foresaw the advantages of closed-end and curving

streets, designed to keep out heavy through traffic and add a personalized sense of charm to the community.

Roland Park also was an outstanding example of pioneering of community building in a number of ways. It was one of the first communities to utilize "deed restrictions" or "protective covenants" in an effort to preserve the general qualitative value of the area. Such covenants are private contracts between developers and home owners. There is no doubt that covenants can become highly controversial. Some types are not now enforceable in the courts. But legal covenants are one of the few practical methods of preserving a neighborhood against undesirable uses and nuisances which, over the years, tend to blight and destroy fine residential areas.

Originally, Bouton, as others since, had to equip his "town" with a community water supply, sanitary sewers and its own electric plant, and even a transportation service to and from Baltimore. A community organization, similar to the "homes associations" popular today, was established to handle Roland Park's community problems and enforce the covenants.

Other builders may have laughed, but Bouton's Roland Park prospered. It was followed within a few years by the nearby communities of Guilford, Homeland and Northwood.

These communities have withstood time's changing hand. After 60 years they remain among the prized residential areas of Baltimore. The Roland Park Co. still is a living memorial to once-pioneer tradition, of building complete, sound and attractive neighborhoods.

Students of community building consider the unique Country Club district, Kansas City, Mo., perhaps the most famous integrated community in the United States.

The district was a logical extension of the Roland Park idea of building a community with the addition of one vital ingredient, a shopping center.

Begun in 1906, the district today covers some 5,000 acres



A sample of a post-war subdivision featuring curvilinear street patterns with cul-de-sacs. Notice there are no through streets with fast traffic.



The National Association of Home Builders annually gives awards and national recognition to the best planned subdivisions. Here judges review plans submitted in this competition.



A proud winner in the National Association of Home Builders' Neighborhood Development Contest stands beside his entry.

with a population of more than 50,000. From its beginning as a residential area, the district gradually added apartments, and finally the first genuine "community" shopping center, the Country Club Plaza. Today, 10 additional neighborhood centers are scattered throughout the district. It also contains 200 small parks, playgrounds, and four golf courses. Today's community developers borrowed a leaf from the Country Club district by providing, as it did a generation ago, ground for schools and churches and "community shopping centers."

Nineteen homes associations now exist throughout the district. The associations enforce the private covenants which regulate the area against preventable deterioration, and provide for the performance of such duties as snow removal, care of trees, upkeep of vacant lots and frequently conduct social and recreational activities. The associations have the right to assess property owners minor sums annually for these tasks.

The combined factors of building restrictions, vigilant homes associations, and careful planning and arrangement of the area for different business and residential uses have maintained the original high standards of the district for almost fifty years. The district now is considered by many a model for builders interested in preserving the qualities of a community.

Riverside, Ill., begun in 1896, and Forest Hills Gardens, established in 1911, are among other pioneer communities which established the important fact that building complete neighborhoods—integrated communities—is a sound business venture.

During World War I, large scale community development was first undertaken by the federal government. In the next decade a number of towns and large scale communities were developed by industrial corporations. At best, such developments provided the most monotonous housing built in America—at worst jerry building on a grand scale. They can be

considered to have added nothing bright to the picture of community development in America.

An example of community building that wound up as an economic failure is worthy of mention. In the late 1920's the City Housing Corporation, Ltd., undertook to build the town of Radburn in Bergen County, N. J.

The layout of the town contained innovations accepted to-day as excellent planning. It included park areas in the center of superblocks, with the houses facing the central park and connecting pedestrian walks. Houses are reached by automobile from short dead-end streets which in turn connect with the streets surrounding each superblock.

The failure of Radburn was attributable primarily to the great depression of the 1930's. Only a small part of the town was built.

The depression years again saw the federal government move into the field of community building with the famed "green" cities. These were frankly experimental towns to provide low cost housing. Economically, the experiments were an expensive burden. Yet they also helped pave the way for the phenomenal growth of post World War II community building by providing concrete examples of how a single, unified town, complete with schools and a shopping center, though outside main cities, could be erected. Today, all have been sold to private interests.

In World War II the government also developed several towns for atomic war plants, such as Oak Ridge, Tenn., and Hanford, Wash. In design and layout these towns lack the imaginative construction of the "green" towns.

Since World War II every major American urban population center has experienced a tremendous exodus of people from corporate city limits to the suburbs—away from crowded neighborhoods, to spacious, outlying residential areas—away

from drab, endless streets, to the infinite and surprisingly pleasant varieties of curving streets and quiet atmosphere.

In the suburbs, the post World War II home buyers looked for the advantages of more sunlight and fresh air, less automobile traffic and more play space, less smoke and dirt, and yards with lawns and trees.

Wisely, the American home builders helped meet this demand by creating home neighborhoods that American families wanted for fuller, richer living.

That builders were able, however, to anticipate and meet the post-war demand for suburban living was due primarily to the spadework of known and unknown pioneers in community building. The proven techniques of creating attractive subdivisions, complete even to shopping centers, were established by pioneer suburban developers. Unlike the situation after World War I when the pent-up housing demand of the war years was met by extending city blocks, and adding more crowded apartments and abutting row houses, post World War II has been marked by the growth of outlying suburban areas.

Today's home builders did not erect suburban developments solely on the assumption that the public demanded such homes. As a matter of fact it would have been relatively simpler for a home builder to have erected another ten blocks of row houses or walk-up flats than create new neighborhoods for suburbanites. This, however, would have been flying in the face of changing demands for housing.

The construction of a complete neighborhood is a matter of endless planning and detailed study. J. C. Nichols, the late pioneer subdivision developer in Kansas City, pointed this out when he noted how "every builder must make a careful analysis of the needs of the community before he can develop a new area for the public."

Every successful subdivision shows evidences of careful

market analysis even before property is acquired for development. One must fully weigh such factors affecting home construction on a mass basis as zoning ordinances, population changes, local housing tastes, construction costs, taxes and assessment, the availability of utilities, police and fire protection, schools, shopping facilities, traffic conditions, bus and street car service, plus the intangible factor of what future developments may affect, or enhance, the community.

In addition, community builders must give intelligent thought to land-planning, the layout of streets and the size of lots, the problems of area beautification, and the general availability of recreational resources.

The developer also has an obligation in planning a development to fit it into the general concepts of the area. By way of an example, it would be illogical to plan a low-cost housing project at such a great distance from areas of employment as to make transportation prohibitive to the subdivision home buyer. It would be equally fallacious to build a high cost subdivision adjacent to large industrial plants. Nor is it even considered wise today to have all homes in a large development fall within the same price range. John Mowbray of Baltimore, one of the nation's most successful community builders, insists it is preferable to combine low and medium and medium and higher priced homes in the same neighborhoods. "These," he has said, "can be attractively blended if carefully planned."

Because of a distinctive trend towards the so-called "rambler homes" and the demands of buyers for outdoor living, successful suburban communities reflect this through an increased use of walls, fences and special landscape treatment to incorporate both privacy and an enjoyment of climatic features. Such factors are understandably affected by the size of the subdivision, and its general design, as well as the size, width and shape of the individual home lots.

While it often is true that many subdivisions have strict reg-

ulations against fences, walls, and such landscape treatment as high hedges, more and more large scale community developers have come to emphasize those factors which permit privacy and enhance the desirability of homes.

The most distinguishing feature of the truly integrated community is a shopping center.

It is felt that a minimum of 500 to 1,000 families are necessary to support a complete center of from 10 to 12 smaller stores, while from 1,000 to 3,000 can support between 25 and 40 shops.

However, the distance from competing and established shopping areas as well as the distance to "downtown" shopping, plus public transportation to the community shopping center and the anticipated volume of "walk in" trade all must necessarily be taken into consideration by the builder.

Experience has shown that a well-planned "basic core" of stores for any neighborhood center includes: A drug store, a "cash and carry" grocery or supermarket, cleaners and laundry, a beauty shop, shoe repair shop, bakery, variety store, and service station. Successful shopping centers have proven that care must be taken in the grouping of stores within the center in relation to the service offered or the merchandise available. A considerable degree of unity in building design is recommended. The shopping center also must be readily accessible by foot traffic, located, if possible, so that patrons from the community can visit the stores without having to cross heavily traveled thoroughfares. Plentiful parking spaces for the high volume of shoppers who drive to the center is essential.

The suburban shopper is essentially a "small town" customer. The housewife demands more freedom in her shopping habits than she will find in downtown stores. She insists upon bringing her children, riding over on a bicycle, or strolling down in a house dress or shorts. These shopping habits must, and usually are, given every consideration in the design of the

shopping center, and may explain not only why neighborhood shopping centers are financially successful, but becoming increasingly popular.

It is fascinating to review briefly some of the major home development projects in the United States in 1953.

As one author noted: "After a slight wait of only 50,000 years, we are finally beginning to build houses as they must be built if everybody is to have one—by skilled builders adapting mass production methods where practicable."

The author was referring to Lakewood Park, Los Angeles, a complete city of 20,000 (in 1953) homes slated to house a population of 70,000 plus. The project, started in 1950, is scheduled to cover 3,500 acres—ten square miles. It will have 133 miles of paved streets, an 18-hole golf course, schools, playgrounds and churches. The main shopping center will cover 154 acres—the nation's largest suburban shopping development with three department stores and sixty smaller stores. There will be off-street free parking for 9,000 cars. Stores will be served by a system of tunnels so all loading and unloading will be done at basement level.

There is nothing revolutionary about the houses, which are of 54 different types of two and three-bedroom one-story homes. A single house in the \$250,000,000 community is built in 40 days.

Building the homes is a marvel of efficient mass production. Basements are dug in 15 minutes by big flail diggers. Cement is poured from an endless "belt" of cement trucks. Exactly enough lumber for each house is delivered directly to the site. Carpenters and construction men work with the precision of highly skilled teams with every conceivable labor-saving device from automatic nailing machines to electric hand saws. A "shingle lifter" even delivers stacks of shingles to the skeleton roofs of the rows of semi-finished houses.

The idea for Park Forest, 30 miles south of Chicago, Ill., now

five years old and 20,000 strong, didn't, like Topsy, "just happen." It was built by private enterprise as a model city, and utilized some of the best brains in architecture, city planning and hardheaded real estate. Originally it was a planned rental community of 3,010 units in a great variety of short row houses, and subsequently expanded by some 5,000 private homes. In mid-1952, the community had an assessed valuation of \$48,000,000.

Most midwestern towns take close to a century to reach maturity. Park Forest is apparently going to take about six years. Most towns had something to start with—a lake, river, trading post, or inn. Park Forest had nothing.

The typical town in prewar days grew slowly by a process of adding a few new houses and possibly a community building like a church or school every decade or two. Park Forest exploded into being as a result of a sudden assault on empty land by bulldozers, steam shovels, and an army of utility and construction workers.

Today a town of 20,000, complete with stores, schools, churches, and utilities, stands on land which as recently as the summer of 1947 was drowsy with the sounds of marsh and field life. By the end of 1954, if no obstacles slow the present building pace, the population figure of 32,000 which is regarded as Park Forest's ideal and permanent one, may be reached. Here is one of the most spectacular demonstrations of the vitality and efficiency of private enterprise that this country has ever seen. It is a demonstration of faith in the future, too, for about 125 million dollars is being invested.

The fantastically rapid growth of Park Forest is not its principal claim to distinction. Much more important is the fact that it is engineered for modern living. The needs and the way of life characteristic of the mid-20th century have been taken into consideration in the planning of Park Forest.

Its density of population is extremely low. For example, one

principal part of the town has 89 per cent of the ground area free of buildings and given over to malls, courts, play yards, and other such open spaces.

The automobile problem has been attacked in a number of ways. In the over-all planning of Park Forest both the gridiron pattern of streets and the system of radiating avenues have been avoided. Gently curving streets (which discourage excessive speed) are used wherever feasible. The number of intersections is held to a minimum. Large parking areas and the exclusion, as far as possible, of through traffic from residential sections are other devices designed to reduce automobile hazards.

It seems practically axiomatic that every "planned community" builder comes up with excellent and unique ideas. In Park Forest, the management, when the area still was primarily a "rental" town, tossed a luscious barbecue one night, invited the first 350 tenants, and encouraged them to incorporate as a village governing and taxing body. A shocked real estate man later said it was the first time in history a landlord had "so exposed himself." When a congresswoman from Connecticut, however, visited Park Forest, she called its local government the best school in civics and community responsibility she had ever seen, a warm tribute to the "American" qualities of Americans.

In designing a rental town, the building corporation took advantage of a constant source of revenue frequently overlooked by the average builder—community buying power. Thus, the developers maintain a permanent interest in the shopping center, literally making its long-term profit "off the pig's squeal," the dollars spent in the shopping center.

Midwest City, Okla., has expanded at the rate of 500 houses a year since V-J Day. That is an enviable record for a new town which neighboring Oklahoma City once considered a fool's project.

Midwest City was built some 10 miles from Oklahoma City originally to provide housing facilities for a temporary World War II military base. It started as the vision of a single builder, who, through initiative, skill, and good horse sense, managed to buy an option on a vacant wheat field opposite the base.

Although one individual developed Midwest City, home construction is divided among a dozen other builders in the Oklahoma City area.

In 1950, Midwest City won the National Association of Home Builders' development award largely on the basis of the original town plan created by skilled land planners.

Midwest City's biggest argument, and one which continued to attract 500 families a year even after the base was reduced to minimum operations with the war's end, has been that "Every house is within walking distance of a store." The stores, in most cases, are small groceries strategically spotted among the houses. They supplement a large 43-store shopping center. Besides stores, Midwest City has four grade schools, ten churches and six factories located in an industrial belt along a feeder-line railroad which bisects the town. It is the developer's great hope that he can eventually make the new town a significant job source for his home buyers. If he does, he will accomplish what planners of satellite towns have been attempting for 50 years—prove how much economic and social waste involved in large city congestion can be offset by self-sufficient satellites.

federal agencies—and housing

Except for an emergency period late in World War I when the nation was faced with a sudden need for temporary defense housing, the federal government historically had followed an almost inviolate policy of keeping its hands and interests out of the housing picture, until the depression of the 1930's.

Few would dispute today the need for federal assistance during that period of economic crisis. And, despite some critics, few would maintain now that the government has no place in the housing field.

There are arguments, of course, over what part the government should play in housing, and how far it can go to regulate or control or build housing without actually stepping over into fields better left to private initiative. On one premise virtually all economists are in general agreement—that when the government invades an area of private business beyond a reasonable limit it has begun to assume for itself the role of the super-state in a socialistic society.

The housing functions of the federal government (as of early 1954) are principally contained in the Housing and Home Finance Agency, established to supervise and coordinate policy in three constituent agencies.

These agencies include:

1. The Federal Housing Administration;
2. The Public Housing Administration, and
3. The Home Loan Bank Board.

Now, what are the principal jobs of these agencies?

The FHA performs an insurance function of the government, designed to protect private funds in the housing field when they are used within certain standards laid down by the government. The insurance functions were more completely described in Chapter 2.

The PHA provides loan monies and federal subsidies for the construction of publicly-owned rental housing by local housing authorities.

The HLBB serves as a central banking system for savings and loan institutions.

The Federal National Mortgage Association, described in an earlier chapter, recently was transferred to the HHFA from the Reconstruction Finance Corporation.

In 1949 the HHFA was authorized to add to its original functions the making of loans and grants, up to one and one-half billion dollars, to local public agencies for slum clearance and to clear blighted areas for new home, commercial and industrial property.

Assistance under this program includes the financing of a preliminary survey, and making loans to clear and prepare land for redevelopment. Since there usually is a financial loss in such efforts, two-thirds of the loss is absorbed by the federal government, and one-third by the local agency.

The HHFA, as pointed out earlier, also has conducted research in the technological and economic phases of housing through grants to colleges and private research institutions.

The HHFA also is responsible for the administration and liquidation of war and veterans' emergency housing built

under the Lanham Act of 1941, and subsequent but related laws. The actual execution of these functions is supervised by the Public Housing Commissioner.

Making loans to public and private non-profit institutions of higher learning for construction of student and faculty housing also is administered by the HHFA. So far, \$40 million has been authorized for this construction. Approximately \$17 million had been spent to erect about 5,000 units by the close of 1952.

A special Alaskan Housing Act also is under the supervision of the HHFA. This permits the purchase of up to \$20 million of Alaska Housing Authority obligations to make funds available for construction and repair loans.

During times of major disasters, such as the great floods in Kansas and Missouri during the summer of 1951, the HHFA has been authorized to make grants in aid to stricken areas for housing rehabilitation and reconstruction.

Federal efforts to develop and encourage the production and distribution of factory-built homes and component parts, and for so-called "large-scale," modernized site construction were taken over by the HHFA from the Reconstruction Finance Corporation in 1950.

During the Korean emergency, the HHFA was given the responsibility for issuing regulations governing residential real estate, loans insured or guaranteed by the Federal Government, and partial responsibility with the Federal Reserve Board for other types of curbs over real estate credit.

The agency serves, in addition, as a "claimant" for the housing industry among other federal agencies in allocating controlled materials for housing construction during periods of emergency.

Apart from the HHFA, although coordinated with it through membership on a central National Housing Council, is the Loan Guaranty function of the Veterans Administration.

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government's role in housing

Housing, probably more than any other commodity in the United States, is subject to governmental regulation. It is a complex of regulations that begins before a house is erected, and extends to the day when it is demolished.

Controls, on the city, state and federal level, can dictate the form and method of construction, the area where a home may be built, how it shall be financed and the terms of the deeds and covenants.

Most of the regulatory procedures in housing are considered necessary to help protect the social structure of the very system which has given so much private housing to so many people. Some regulatory procedures, however, are regarded by many as unwarranted and unnecessary in a free and democratic capitalism.

The concern of government with housing is as old as recorded history. Hamurabi set down legal restrictions governing both land use and housing in his famed code for Babylon.

Builders, landlords, contractors and others directly and immediately affected by the levels of regulations overlaying housing, have an admitted and active interest in these controls.

On the other hand, tenants and individual home owners take a more disinterested view since it may be somewhat difficult

for them to correlate the problem of regulations with their own particular housing situation.

What they may fail to grasp is that all things that all governments do with respect to housing has an almost immediate influence upon the supply and type of housing available in a community, its cost—within certain limits—and, in the case of rental property, the rates charged for occupancy.

In fact, the sobering truth is that the sum total of all the protective measures, assistance programs and legislation concerned with housing do, in the final analysis, largely determine the product that will be available to the home owner.

To the extent that such measures overreach their minimal needs, they usually put that much of an unnecessary burden on housing which, in turn, is passed on to the consuming public.

For example, outdated local building codes can go so far as to deny to home owners the benefits of the latest improvements in building technology.

It is only in comparatively recent years that the Federal Government has directly concerned itself with rentals and the housing industry. Though most federal controls and regulations are of an indirect nature they probably exert a more profound influence on housing than all other regulations on the state and local levels combined.

What is the proper role of government in housing?

How far should the three levels of government—city, state and federal—go in the regulation of housing? What are their legitimate functions? Before seeking an answer to those questions, perhaps it is best to take another look at the general housing picture.

Many types of controls would be considered not only rational in our particular and complex technological society, but would be almost indispensable in any well regulated country. Few would deny the essential need of zoning ordinances to

prohibit the improper or unwise use of residential land, as well as to preserve a residential district from the detrimental effects of the intrusion of commercial properties.

In the same fashion, building codes have a sound value. They protect the home owner, assist builders in maintaining recognized standards of construction, and preserve for a community basic good housing.

The chief quarrel that often is raised against building codes is not directed against their necessity, but the obsolete and out-of-step obstructions they may unnecessarily impose on home owners and builders alike. Or, in other instances, in the way in which they are administered—sometimes by overzealous building inspectors, occasionally by those so lax that gross errors creep into home building.

The field of state interest has historically been technical—concerned with deeds, mortgages, interest rates, and the like—although in recent years some states, accepting the pattern set by the federal government, have extended controls into other areas.

Some have tended to be over-solicitous in the field of mortgage laws, and have required what mortgage investors feel are excessively long redemption periods before foreclosures can be made. It should be emphasized that whether these foreclosure periods are excessively long in the minds of the general public, or not, the fact that mortgage investors view them as such automatically tends to discourage them from making mortgage investments, with a resultant slow down of housing construction.

Cumbersome title laws also illustrate how misplaced emphasis can defeat its own purpose. Usually these are the outgrowth of successive layers of effort to protect the property purchaser. But when they are added one on another over a period of decades, the end result is apt to be unnecessarily costly and cumbersome.

Taxation is the most direct fashion in which the local and state governments enter the housing picture. For the community, real estate taxes are the main source of local income. Yet, to the extent that other sources of revenue can be tapped, the burden on real estate may be eased.

As a matter of fact, home ownership may provide a person with some breaks in taxation. The owner-occupied house usually receives more favorable tax treatment than other types of real property. Home owners also benefit over tenants before federal taxing authorities since income tax laws permit the interest on a mortgage debt to be deducted from earnings. The tenant has no comparable advantage.

The federal capital gains tax also provides a crumb of comfort for the home owner. If a profit is derived from the sale of an owner-occupied house, and the profit is plowed back into the purchase of another dwelling, the person is exempt from the high rates exacted by this levy.

Other types of taxation also have a marked impact on housing when it is recognized that approximately 20 to 25 per cent of the cost of erecting a single home is taken up by direct and indirect taxes.

The routine activities of state and local governments can have a powerful bearing upon a home. The locale of new schools will raise property values in their neighborhood. Express highways through outlying residential districts normally enhance the value of the property served by them.

On the opposite end of this scale is the fact that meager and inadequate facilities tend to discourage building. As an example, a new subdivision cannot get off the drawing boards if highway service to the area discourages rather than invites new residents. Failure of a community to maintain adequate fire departments will raise property insurance rates.

Without question, the federal government's role in housing is the most difficult to evaluate. If all federal regulations were

to cease tomorrow it undoubtedly would result in some areas of improvement. In others, the housing picture would take on a bleak hue. The net effect of total federal retirement from the housing picture probably would be detrimental to builder, home owner and country alike.

There are outstanding examples, however, of federal programs that have hampered home building. The most glaring is public housing, subsidized at the expense of the tax payer, yet normally failing to meet the needs or services of the community as well as they could be met through private industry. This will be gone into more thoroughly later.

The standard pattern for the federal government to move into the housing field has usually been on the grounds of solving a particular emergency. But the unpleasant fact is that once emergency powers create a new role for the government, they are seldom relinquished voluntarily when the emergency ends, often to the detriment of a phase of national life after a serious need has been met or corrected.

World War II rent controls are a classic example. This program was still in the process of liquidation at this writing. One direct effect of rent controls was to markedly discourage the flow of investment funds into rental developments since rents on older structures were held to unnaturally low levels.

An illustration of what many builders have described as a "strong arm" method of regulating building was found in the so-called "Regulation X." This was a regulation imposed by the federal government to combat the inflationary effects of the Korean emergency and defense program. Its purpose was to hold down real estate credit by requiring larger down payments on new housing. Instead of nipping a building boom, the control acted only as an unsatisfactory discouragement to the necessary volume of building. It required a preemptory order from Congress to set this regulation aside.

Undoubtedly the greatest contributions to the advancement

of the housing industry were made under the Federal Housing Administration, established in 1934. It is no exaggeration to say that without the sweep and breadth of the programs originally created by the FHA, building would never have reached its fabulous post-World War II level.

In numerous other ways the federal government has assisted in sustaining the housing market, or enabling thousands upon thousands of Americans to acquire homes. For example, the Veterans Administration program of very low down payments and low interest rates on housing has been a welcome assist to men who gave up years of civilian gains for military service.

What must be kept in mind concerning even the best federal programs is that they can be two-edged swords. They can be made to cut the wrong way as well as the right by over-eager administrators anxious to aid one group at the expense of another, or by exerting strong pressure on Congress.

In the final analysis no government program on any level can become too domineering. If it does, the result inevitably is rancor on the part of many, while others suffer at the expense of a few. Uncle Sam is most apt to slide into this role.

Another danger of over-indulgence by government is the incipient danger of placing undue stress on uniformity. This tends to bring about a kind of glorified, but mediocre, sameness in any field, whether it is housing standards or regulations covering lenders.

13

cooperative housing

In an effort to assist groups interested in solving the problems of housing through cooperative efforts, Congress has authorized the Federal Housing Administration to provide special insurance on cooperative loans under the National Housing Act.

In the case of non-veteran loans, FHA mortgage insurance is available for up to 90 per cent of the total loan. In the case of veterans' cooperatives, insurance covers up to 95 per cent of the loan.

These terms are considerably more favorable financing than is provided for the individual investor in rental property, and in some instances financing terms are equally as good as those provided to the individual home purchaser.

Even at that, there are still some who advocate even more favorable legislation for cooperative owners of housing or so-called "coop apartment" projects, including advocacy of lower interest rates than prevail for private home ownership.

This has met with considerable resistance from those who felt that while families interested in solving their housing needs on a co-op basis should be given every opportunity of so doing, they nevertheless should enjoy no special privileges which are not available to individuals, or which would give them preferential treatment on the housing market.

There are, naturally, two schools of thought as to the value of cooperative housing.

On the one hand, proponents of co-op housing maintain that through such plans cooperators are able to enjoy for themselves as savings profits which otherwise accrue to the investor and developer.

On the other, there is the serious risk involved in co-op ownership which neither the private developer or individual home owner faces. The risk is that the member of a co-op group runs the additional danger that if other members fail to meet their charges, this may endanger his continuing occupancy, or subject him to additional assessments to pay the additional costs.

At the same time it must be borne in mind that residential construction is a difficult and complicated business. The conception, construction and completion of a successful housing project, whether individually or cooperatively owned, requires skill and a high degree of experience. It is a rarity to find any cooperative group which contains within itself this needed experience. Otherwise, this experience must be paid for.

Advocates of cooperatives emphasize the possibility of sharing profits, usually through lower costs. But it is equally true that they must share in additional risk of losses during the course of construction or during the long life of the project.

Actually, there is not too much evidence to support the contention that cooperative construction results in any appreciable savings over construction of the same project by an individual sponsor. In the case of rental housing, there is an equal lack of sound statistical evidence to show that the cost of maintenance and operation are necessarily reflected in the rentals of the project.

However, it is possible for cooperatives to achieve some savings through special income tax benefits which cooperatives enjoy but which are not available to the individual builder.

14

housing for the low income family

Providing improved, low-priced homes and apartments for that segment of the American public with a limited income is one of the greater challenges confronting the housing industry today.

This is not a field that has gone without attention. Some serious study has been given to it, and some remarkably good results have been attained in a number of communities around the nation.

Actually, the broadest demand today is for improved homes and rental units that the family with an income of from \$2,000 to \$4,000 a year can afford. Since the average family income a year was around \$3,000 in 1952, it can be seen why.

Nor is the problem limited to large cities with their mass purchasing groups. The problem is just as serious, although on a more limited scale, in rural and small town areas. It is even more serious for minority groups.

The 1950 census indicated that more than 20 per cent of all non-white families in the United States are renters living in overcrowded dwellings. This is a situation that demands special attention.

Perhaps it would be easy simply to say: Well, this complex problem can't be solved without a great deal of effort. Let's turn it over to the federal government.

Of course there is no easy way out, not even through the federal government, unless one presumes that socialism is the only answer to the problems that beset any country. Since socialism has not proved itself a rousing success anywhere else, it seems foolish to presume that it would improve upon our system of democratic initiative.

Given the active, sympathetic assistance of legislatures, financing agencies, the federal government and the mass organizations in this country, private industry can solve the problem of low-cost housing nationally as it has in a number of specific cases.

The Federal Home Loan Bank system and savings and loan associations should be vitally concerned with providing the necessary flow of credit into new, lower price range homes, but activities in this direction leave much to be desired. But the FHLB system is in a strong position to provide financing for an increasing number of low to moderately priced houses.

Yet, even increased credit is not enough. Home builders, too, are interested in providing housing for this market. But even more than credit and a builder are necessary.

For example, in order for a home builder to go ahead with a lower-priced project of homes or rental units, it is necessary to gain the cooperation of the community involved so that outmoded building codes and development concepts do not block such projects.

The National Housing Act has been amended a number of times to provide additional incentives to the production of lower-cost dwellings. One such amendment, in April 1950, and a later amendment in July 1953, added to Title I of the Act a new "Section 8," designed specifically "to assist in providing adequate housing for families of low and moderate income, particularly in suburban and outlying areas." This section authorizes the Federal Housing Administration to insure mortgages up to 95 per cent of value and up to \$5,700 on

single-family owner-occupied dwellings with minimum property requirements somewhat lower than otherwise required when it is found that the project is an acceptable risk, giving consideration to the need for providing adequate housing for families of low and moderate income.

The following account of the operations of *one builder* in the Shreveport district is given here to illustrate the possibilities of producing low-cost housing profitably in small towns under both Section 8 of Title I and Section 203 of Title II. The report is by Harry F. Allen, FHA Director, Shreveport, La., and is reprinted with permission from "Insured Mortgage Portfolio," published by the Federal Housing Administration.

"Operating as the Rayville Development Corp., G. Tom Lobrano, a Baton Rouge lumber dealer and builder, initiated a low-cost home building program late in 1950 in the small North Louisiana town of Rayville, which has a population of 3,138. In 1951, Mr. Lobrano built about 100 Section 8 dwellings and about 75 low-cost Section 203 dwellings in Rayville and several other small North Louisiana towns; Bastro (population 12,769); Tallulah (population, 7,758); Monroe (population 38,572); and Sterlington, a refinery town located between Monroe and Batrop, with a population of less than 1000. Monroe is the focal site of these building operations, and the other towns are all within a radius of 75 miles of Monroe.

"Mr. Lobrano's associate, Jim Adcock, lives in the central city of Monroe, and his building superintendent lives in Archibald, La. All other labor is obtained in the town where the construction takes place. Lumber and building materials are purchased through Mr. Lobrano's lumber yard in Baton Rouge.

"In developing his building enterprise, it has been Mr. Lobrano's practice to visit a small town and talk to the local officials, telling them what he had to offer. If the town officials did not believe that new housing was needed, or if they did not want him to come into the town, he would move on. With one exception, every community so far visited has

been eager to have him undertake a building program, and the officials of the remaining town later invited him to come in. Town officials assist him in obtaining lots at low prices and in getting streets and utilities extended that may be needed in servicing the lots. This helps to make it possible to keep the prices of the properties low.

"Lots cost the builder an average of \$150 to \$400, with a typical improved lot costing him about \$350. Lot sizes average 50 x 150 feet, with a typical FHA valuation of about \$400. Street improvements are usually gravel. Utilities include public water, public sewer, gas, and electricity. Most of the properties are located in established neighborhoods and within walking distance of town centers.

"The floor area of the dwellings varies from 552 to 598 square feet. A typical structure consists of living room, kitchen, two bedrooms, and bath, and is built on concrete block piers, with two 2' x 10' sills; 2' x 4' studs 16" o.c.; wood siding; No. 2 common pine floors; 2' x 6' ceiling framing, 24" o.c.; 2' x 6' roof framing, 24" o.c.; 1' x 8' shiplap roof sheathing; 210-pound asphalt shingle roof with 15-pound felt underlay; and painted sheetrock walls.

"The Section 8 houses in this enterprise are completed dwellings and exceed the minimum property requirements of the FHA for this type of dwelling. For example, all of them have bathrooms and good plumbing fixtures, although bathrooms are not required for Section 8 dwellings. The sheetrock walls in all the houses are painted, although they could have been left unfinished. The roofs have a front and back overhang of 18 inches, which shelters the windows from the hot sun. Factory-made metal kitchen cabinets are furnished. Standard lighting fixtures are used throughout, rather than the dropcord fixtures that would have been acceptable. The pine floors are sanded and the yards are graded.

"No fewer than ten houses are started in any one development, since this is the smallest number practicable for obtaining discounts on purchases of materials and for semi-production line utilization of labor. The builder has now opened a small lumber yard in Monroe, primarily for facility in supplying the various jobs and to obtain savings in freight

rates. His lumber yard in Baton Rouge had gross sales of about \$970,000 in 1951, most of which represented lumber and materials for his own construction program.

"All Section 8 houses in the various developments described here have sold for \$5,400, with \$4,750 mortgage loans, and have netted the builder a profit in excess of 10 percent on improvements and land combined. The 75 Title II houses sold at prices of \$5,750 to \$7,250.

"Sales methods are simple. Mr. Lobrano builds one house as a sample, and sells out the group, before he completes the small project, to callers who want a house "like that one." In Tallulah, the builder extended a 10-house program to 35 before his operation in that town was completed.

"Purchasers of the houses represent the following occupations, among others: pastor, school teacher, auto mechanic, radio repairman, truck driver, accounting clerk, barber. Their incomes range from \$130 to over \$400 monthly. Twenty of the houses so far built are owned by Negroes.

"Many of the families who purchased these homes formerly lived in substandard dwellings and are intensely appreciative of the improvement in their housing standards made possible by the low-cost construction program.

"The National Home Mortgage Co., of Baton Rouge is servicing the mortgages primarily for the Schenectady Savings Bank of Schenectady, N. Y. The builder made his own direct arrangements with the investor mortgagee to accept these loans, as local mortgagees seemed unable or unwilling to place them. Mr. William McGaw, president of the National Home Mortgage Co. of Baton Rouge, has expressed much satisfaction with the program.

"The record of payment on the mortgages is excellent. Thus far there have been no foreclosures and only three or four 1-month delinquencies."

A building program such as the one described above makes possible the provision of low-cost homes in smaller communities where overcrowding and other undesirable housing conditions are sometimes relatively as great as in large cities, and where facilities for the production of new homes for the lower-

priced market are not always available. Members of racial minorities in such communities often find it particularly difficult to obtain adequate housing at prices they can afford to pay. At the time the census of 1950 was taken, 4 per cent of all occupied dwellings in the United States were considered to be in a dilapidated condition—but nearly 27 per cent of the dwellings occupied by non-white families were described as dilapidated. Employment and income conditions of minorities have improved greatly in recent years, and members of these groups provide a substantial market for housing, especially in the low-cost field.

The lower cost of land in smaller communities, by comparison with costs in large urban centers, and the greater availability of suitable locations in small communities, are factors favoring lower-cost construction in these smaller towns.

The following projects were selected as representative examples of good results in the drive to obtain moderate housing in small areas:

Aiken, South Carolina—Gross Morton's GROSLAND PARK, defense housing project. 544 planned homes and land purchased for 500 additional units. Houses are 1,062 sq. ft. with 37 feet of storage; lots range from 10,000 to 15,600 sq. ft. Of the 554 units, 337 homes rent for \$75.00 per month—balance sold for \$9,990 to \$10,490.

Included in the price are landscaped lots 80' x 125' or larger; paved streets; driveways; 36" 4-burner range; 8 cu. ft. refrigerator; water heater; washing machine; oil fired forced air central heating units; 220 gal. fuel oil storage tank; screens, venetian blinds, and many other extra features.

Construction of waterproofed, insulated concrete floor slab; cedar shingle siding; asphalt shingle roofs; asphalt tile flooring; ceiling insulation; flush doors and fingertip control removable windows.



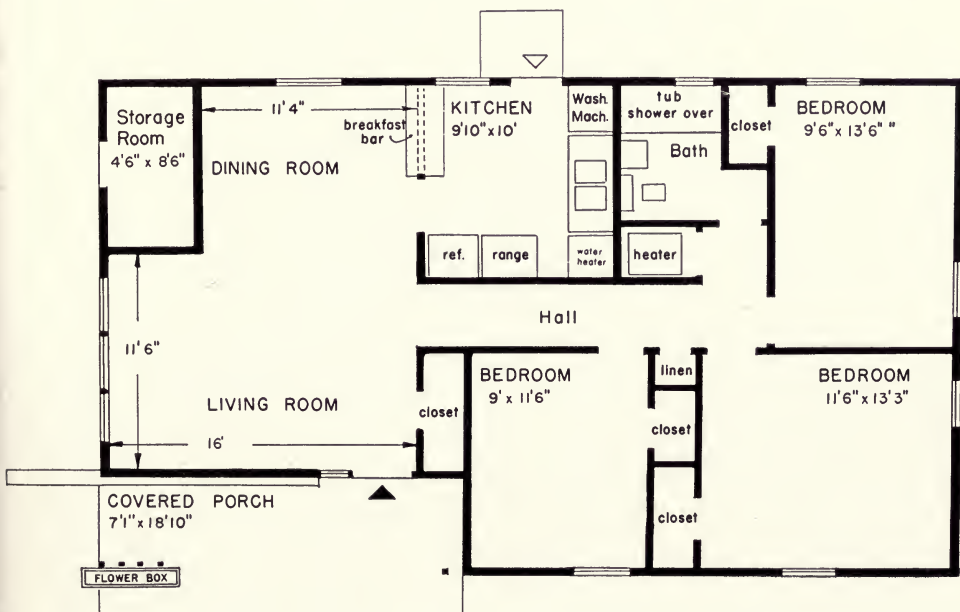
On-site prefabrication of wall units saves time, waste, and cost. Wall sections made in the construction sheds are moved on a trailer directly to job site.



A completed home in the \$10,000 range. Buyer has choice of 16 elevations.



Example of an attractive home built by private builders in Aiken, South Carolina, to house defense workers at the Atomic Energy Commission's Savannah River Plant. Three bedroom home rents for \$75.00 a month and up, with sale prices from \$10,000 to \$11,000.



Floor plan of the home pictured above.

Builder Carl T. Mitnick, North Cape May, New Jersey—Year around homes. 1,700 homes planned. Selling price \$5,490 and up. Lots 75' x 100'. Good design, color styling, and land planning, add to the general attractiveness of the development. Interior attractively finished and purchasers are given their selection of wallpaper. Also included are standard doors, sheet rock walls, wainscoting of metal tile bathroom walls, floors are of finished pine and linoleum. Construction details include concrete footings; foundation walls of concrete block; wood frame floor with crawl space ventilation; and asbestos shingles.

Fair Acres (colored project), Memphis, Tennessee, developed by Charles Freeburg. 160 single family, two and three bedroom houses completed. Selling price \$6,300 to \$6,999 with facilities for transportation, shopping, schools, and churches. Monthly payments range from \$38.00 to \$48.00. Lots average from 6,000 to 12,000 sq. ft. and include sidewalks, curbs, gutters, sewers, paved streets with city utilities including gas, electricity and water. Pleasing color harmony and well planned landscaping throughout. Construction includes concrete floor slabs, wood frame exterior walls with exterior finish of wood siding cedar shakes or asbestos cement. Dry-wall interior finish . . . back-to-back plumbing . . . site prefabrication.

Builder C. D. Spangler has provided excellent low-rent housing for many families in Charlotte, N. C. He has six outstanding well-designed and well-planned projects, three for colored, two whites, and one military housing. This home builder has completed a total of 1,631 living units renting from \$35.00 to \$60.00 per month, 1, 2, and 3 bedrooms ranging from 624 to 784 sq. ft.

Brookhill Village (colored) of 418 units, 1, 2, and 3 bedrooms, renting for \$8.50 to \$10.50 per week. These garden type apartments give an impression of individual housing rather than apartments. Equipment includes electric range, refrigerator, individual oil heat as well as hot water heaters.

Another type low-rent military housing project is Tarawa Terrace. This project provides a total of 1,054 family units in 296 separate buildings. It is primarily for military and civilian families at the Marine Base, Camp Lejeune, and provides housing units for over 4,200 persons. Project provides its own water purification and sewage disposal. FHA financing. All projects have plenty of playgrounds and public transportation is readily available.

These examples show that the problem of building for the moderate and lower priced income groups can be met, with a little ingenuity, cooperative public officials, a desire on the part of the home builder, and a good supply of credit.

15

the attack against blight and slums

In practically all larger cities, but especially in the East, is the continuing problem of major decay in the older "close-in" districts. Municipalities which so far have not been faced with this particular situation are confronted with the need for immediate preventative action to forestall blighted conditions.

Whatever term is used to describe these areas of decay—slums, blighted areas—they all have one thing in common: They were allowed to develop through official and community ignorance, or lethargy, and are the logical result of improper city planning, lack of adequate zoning ordinances, and an astounding lack of vision and imagination by both cities and private individuals.

Today it is clearly recognized that slums and blighted areas are major civic liabilities—unsound economically and socially.

In the past, efforts to clear up these slum conditions have met with only limited success. While these efforts have met with only a partial accomplishment of the desired result—slum free cities—they nevertheless point the way to the kind of action that can and must be taken wherever slums exist.

The cost of curing city blight is tremendous. First there is the expense in acquiring slum land; then it must be cleared and

prepared for redevelopment. If such redevelopment is going to be housing, the staggering costs simply prevent any individual or group of individuals from taking effective action unless the state and city help substantially in acquiring the land.

Since redeveloped areas inevitably contribute much to a city tax-wise over a long term of years, the forward-looking municipality often is able to appreciate the gain from slum clearance and thus help underwrite the costs involved.

Private groups, no matter how interested, also do not possess the requisite power to acquire slum lands. Since the municipality does, however, here again is another area in which it must use its power in redevelopment.

Too often slum clearance and rehabilitation are viewed as projects unrelated to the rest of the community. This is simply not so. Until and unless a city accepts slum clearance within the framework of a master plan to guide its own growth and cure the decayed areas within it, little lasting good can be accomplished through redevelopment programs.

Some blighted areas can be restored through vigorous rehabilitation programs. Some must be swept aside by the bulldozers and wrecking crews before they can be cured through rebuilding.

To the greatest extent possible, redevelopment should be done locally. Indianapolis, Ind., has shown one method of accomplishing this by creating a revolving fund from which monies can be withdrawn for redevelopment, and repaid out of the increased taxes from redeveloped areas.

At the very least, any community can undertake periodic clean-up, paint-up and fix-up campaigns to clear trash and rubbish.

Almost every city has health, building and sanitary codes applicable to housing. Most of them are adequate, but few are enforced.

In Baltimore, a plan of strict enforcement of health, safety

and sanitation laws by a special Housing Division of the Department of Health has resulted in the rehabilitation of 16,000 slum houses at practically no cost to the taxpayer. The plan's success is due partly to prompt penalties imposed by a special Housing Court. Behind this, however, is a solid body of public opinion manifested through committees including local public health, fire and planning officials, home owners and others.

As a result of the success achieved in Baltimore, numerous other cities—Philadelphia, New Orleans, Memphis, Pasadena, for instance—have established similar successful slum rehabilitation programs. The Baltimore Plan can be followed in practically every city where public opinion is awakened.

One promising slum clearance program was voted by Congress and incorporated in the Housing Act of 1949. This authorized the federal government to make loans to communities to overcome the high cost of clearing slum areas for redevelopment. As of June 30, 1952, such federally-aided projects were underway in a total of 247 localities in 35 states.

Redevelopment of a cleared area depends upon the locality's plan for its future use. However, under the Housing Act, Congress recognized that private enterprise should play the major role in slum clearance and provided that it should be given maximum opportunity to take part in the redevelopment.

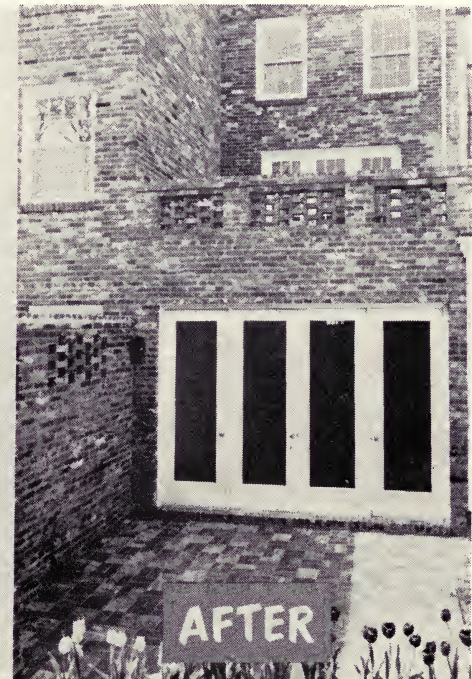
Where such programs are under way, it is usually possible for private builders to go into blighted areas, to erect new housing to replace old or condemned structures, to remodel, or to aid owners in rehabilitating their own homes.

It seems obvious that if the blighted areas of a municipality are so large as to require community action to rehabilitate them, the entire economy of the city might suffer unless new housing is privately built so that it will remain on the tax rolls and aid in the support of necessary municipal services.

One of the prime problems of slum clearance is what to do with people who are displaced. This calls for cooperative plan-



Units in blighted areas can be restored through vigorous rehabilitation program.





Homes deteriorate because they are allowed to—because owners and tenants fail to maintain them, because municipal officials take no action. Notice the rotting fences, tumbledown sheds, disregard for individual pride in this slum area.



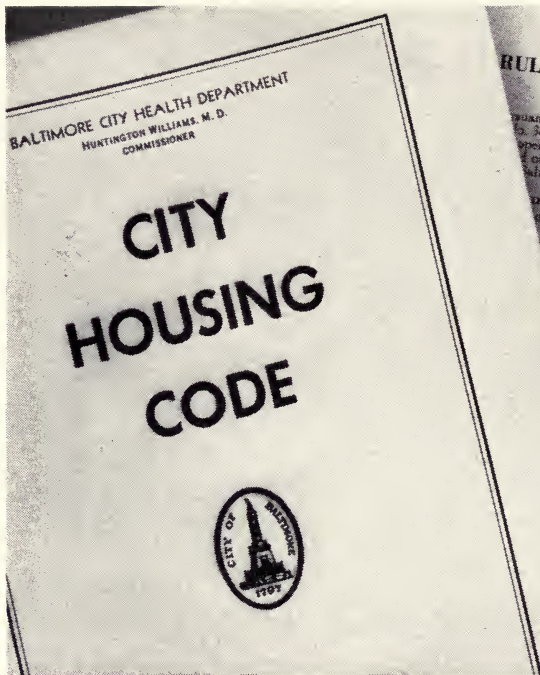
Improper or lack of zoning can produce cancerous sores in the midst of a nice residential area. Here is a combination auto wrecking and junk yard in a residential neighborhood—the beginning of a slum area.



Two walls, two feet apart—a perfect fire hazard and an example of municipal unconcern. Local Government must have the authority to combat slum trends.



Here is a perfect example of civic, municipal, and property owner neglect. Property owners are violating at least six ordinances and two major requirements of the County code.



RULES AND REGULATIONS GOVERNING THE HYGIENE OF HOUSING

GRANT to the power conferred upon the Commissioner of Health by Ordinance No. 384, Approved March 6, 1941, the following rules and regulations deemed proper and necessary by the Commissioner of Health for the enforcement of the ordinance for the protection of the health of the inhabitants of the City of Baltimore are hereby adopted:

Regulation 1. Definitions. When used in these regulations, the term "dwelling" means any house or building or portion thereof occupied in whole or in part as a home, residence or sleeping place of one or more human beings, either permanently or transiently; "dwelling unit" means a room or group of rooms intended to be occupied by one family or household as their home and where the term "habitable room" means a room which is used for living, sleeping, eating or cooking. Store rooms, toilets, closets, halls or spaces in attics or in basements are not habitable rooms except as permitted in Regulation 6 entitled "Basement dwelling units."

2. Basement or cellars. The basement or cellar shall be dry and ventilated and shall be kept free from dampness, mold, vermin and rodent infestation.

Heating. Every dwelling and every dwelling unit shall be proof and capable of being adequately heated, and the content in every dwelling or dwelling unit shall be maintained in good order and repair.

Dampness. The floors and walls of every dwelling unit shall be kept free from dampness.

Ventilation. Every habitable dwelling unit shall contain a window or windows, capable of admitting fresh air, and the total area of such window shall be not less than 10 per cent of the floor area of such unit. The window shall be glazed and provided with a screen.

Cities must have a good housing code—and enforce it.



Baltimore's housing laws have teeth—with a housing court to make them work.

ning by municipal authorities, welfare agencies, builders and realtors. In some cases, there is as great need for rehabilitation of the family as of the house.

In summation, the problem of slum clearance is one of continuing attack along the following lines:

- Develop and enforce municipal and building codes which will prevent future slums.
- Insist that only housing which meets minimum requirements be permitted to be occupied.
- Establish a master plan in each city for transportation, highways, freeways, parks, playgrounds, public improvements, location of commercial, industrial and residential areas.
- Redevelop blighted areas not susceptible of rehabilitation in accordance with master planning.
- Provide government assistance only where absolutely necessary, but do the work through private industry.

16

the real story behind public housing

The concept of public housing—housing governmentally owned by local housing authorities deriving its main source of financing from the Federal Government—was adopted from a European concept which started during World War I.

In the United States, the first public housing was built by the Public Works Administration in 1934 as a “make-work” project. After that, in 1937, the United States Housing Authority was organized by the Federal Government to take over PWA built housing. The original amount of money appropriated was eight hundred million dollars, with an annual authorization for sixty years of twenty-eight million a year. The USHA built 160,000 units until the Congress, in 1940, refused to extend the program.

During World War II, an emergency housing program was established to build temporary and permanent houses for war workers where the need was deemed so temporary or income so low as to be unattractive to private building. Seven hundred thousand units were built. The temporary units were supposed to have been removed from the economic scene at the conclusion of 1952, but as in so many Government projects, an “organized demand” was heard, and the program was contin-

ued as an emergency program during the defense period.

In 1949, a new housing act was passed by Congress. The program was approved by only a three-vote margin in the House of Representatives, and it was stated the act was a result of "organized demand" on the part of the people for better housing. The principal features of the 1949 Housing Act were the authorization to build 810,000 units with a Federal subsidy of some 12 billion 320 million dollars. This meant that these units would cost, approximately, \$15,200.00 each.

Public housing has been and continues to be the subject of controversy. Each time the subject has been argued publicly, proponents of public housing have found new arguments, adapted to the then existing circumstances.

Following the war, public housing advocates took advantage of a war-caused housing shortage to urge a vast program to care for veterans and others.

Briefly, so-called public housing is a complicated plan under which the Federal Government supplies funds to local housing authorities, established under state laws but in effect controlled by the Federal Government, for the construction of publicly-owned housing accommodations. The Federal Government also contracts with local housing authorities to pay an annual subsidy to help pay the difference between the low rent charged to occupants and the rent actually needed to cover carrying charges and operating expenses. Such projects pay practically no local real estate taxes and the bonds involved are paid by the American tax-payers through higher federal income taxes and higher local real estate taxes, to make up for taxes and expenses not charged to this housing.

Proponents of public housing insist that the idea is really no different from the accepted American institutions of public schools, libraries, highways and the postal system. They overlook a vital point of difference. Public schools are open to every child. Highways and libraries may be used by every-

body. Mail is delivered to everybody. But public housing is paid for by all and available only to a privileged few.

Public housing is not low-cost housing. It is high-cost housing offered at low rent. And the low rent is possible only because of government subsidies charged to all tax payers.

Public housing inevitably costs more than private housing. The Housing Act of 1949 authorizes the Administrator to permit construction costs of \$2,500 per room. For a six-room dwelling, this is \$15,000, not counting the cost of land and development. Many public housing projects are now bogged down because they cannot even hold costs below this high level!

The average construction cost of each public housing unit built in 1949, according to figures given in the *Journal of Housing* admittedly was more than \$11,000. Contrast this to a maximum figure of \$8,100 per unit allowed private builders of rental apartments under the FHA mortgage insurance program. Or contrast it to the cost of single family homes on the open market. For example, the Federal Reserve Board reported the average price paid for privately built houses—both new and existing—in 1951 was \$8,500.

The initial construction cost of public housing projects, however, is not the worst cost. According to Representative Fisher (D-Texas) in a speech on the floor of the House of Representatives on March 20, 1952, tax-payers must contribute a total federal subsidy of over \$12,000 per unit during the 40 year life of a project. The local subsidy, or the local contribution paid by local tax-payers was estimated by Representative Fisher at \$5,760. This is an operational subsidy of nearly \$19,000 per apartment which cost \$11,000 to build.

Such facts explain why many informed persons believe it would be cheaper to make an outright gift of a new \$15,000 home to each public housing family and let the taxpayer save the difference.

Public housing does not really help those who live under the worst housing conditions. As a general rule, the very lowest income families are not accepted. Families receiving relief are almost uniformly excluded. In practice, only those in better circumstances among the low income group—those with steady income—are usually admitted. The families in greatest housing need are usually excluded, such as widows with children, indigent old people, and other needy persons such as relief clients, since they usually cannot meet the high admission qualifications.

Meanwhile, in public housing projects throughout the country, families with incomes of \$5,000-\$6,000 a year have been permitted to live in the tax-subsidized units.

Public housing does not necessarily clear slums. It has been argued that public housing is a slum-clearance measure. Yet advocates of the Housing Act of 1949 actively and successfully opposed amendments to the bill which would have required that public housing units be erected on the site of present slums. The result was that two-thirds of the existing public housing is on previously vacant non-slum land, land which would otherwise be available for tax-paying purposes while slums remain untouched.

The economic fallacy of public housing was recognized by the city of Breckenridge, Texas. It voted in 1950 to turn down funds to build a Federal housing project. City fathers said it was economically foolish, that housing was a local matter and that control over such activity should remain in local hands. The citizens asked the government to apply the proposed money to defense purposes with the hope that other communities would do likewise.

Recently Congress was flooded with protests against federal taxes on tickets to entertainment events. In answering his constituents, Representative Scudder of California pointed out that entertainment taxes were a big item in government income

but they yielded "less than one-fifth of the annual cost of the socialized public housing program." Representative Scudder said the public housing program each year eats up the grand total amount paid annually in excise taxes on theater admissions, passenger travel, freight shipments, local and long distance telephone service, telegrams, watches, jewelry, electrical appliances, luggage, furs and other such items.

The *Washington Evening Star* recently published a story about York, Pennsylvania, where a public housing project was approved at a cost estimated by the Public Housing Authority at \$13,190.00 per unit. The story said this was "in the face of the fact that if you read the real estate advertisements in the *York Dispatch*, and the *York Gazette and Daily*, you can find well constructed, new, privately built detached homes for \$10,000, \$11,000 and \$12,000, and existing houses as low as \$6,000."

At the 1951 national housing conference convention of public housing advocates in Washington, D. C., 54 manufacturers put up exhibits. Among the items displayed were expensive colored plumbing fixtures, automatic garbage disposal units, automatic dishwashers and dryers, and other appliances normally used in the building of high income housing.

The *Cincinnati Enquirer* had an interesting comment on this. It pointed out that public housing with colored plumbing fixtures, automatic garbage disposal and automatic dishwashers might be the straw that broke somebody's back—either the private builders' or the tax-payers'.

One of the economic evils of public housing is the fact that good land, which can be developed into attractive subdivisions, is vitally needed if private builders are to continue to meet demands for housing. It is a double tragedy, therefore, when the government itself competes and outbids private builders for available housing sites. The public projects tie up good housing

sites at a time when private builders are using land at the most rapid pace in history.

Public housing can be politically corrupting since it offers opportunities for exploitation—commissions, profits, fees, jobs and apartments as political patronage to voters. For example, Frederick Gutheim, then an official of an architectural group, addressed the 1951 National Public Housing Conference in Washington. He warned that required kickbacks to political funds were becoming spreading scandals. He said that architects designing public housing projects often took it as a matter of course when political leaders called on them for a donation to campaign funds—perhaps 15 per cent of their fee. Commenting on Mr. Gutheim's talk, *Architectural Forum*, the Magazine of Building, said it "reflected the extreme annoyance of architects, who had been jockeyed by the Public Building Administration into taking lower fees, supposedly to advance a public cause, that they should also suffer political shake-downs."

Is it politically dangerous when managers of local Public Housing Authorities issue special bulletins to tenants telling them to vote "yes" on the issue of more public housing? That happened in 1950 in the Edison Courts Public Housing project in Miami, where the manager said every tenant in the project would be expected to vote "yes." If the tenant needed transportation to the polls all he had to do was contact the local Public Housing office.

Special interest groups have informed Congress that once the public housing program is well underway, "it will develop sufficient political momentum of its own so that the Congress will automatically in the future increase and extend authorization to whatever extent may be necessary." It is painfully evident that such attitudes do not take into account that the history of liberty is largely the history of limitation of governmental power, not its increase.

It is politically dangerous when large concentrations of pro-communists are able to infiltrate public housing projects. A survey in 1951 by the *New York Daily Mirror* revealed that a hard core of American Labor Party members, all devoted to the Moscow line, had infiltrated virtually every one of the 50-odd housing projects under the jurisdiction of the New York City Housing Authority. What are they doing there? The newspaper said they were basically engaged in stimulating dissention, discontent and political bias in the projects.

Langdon W. Post wrote in a book, "Challenge of Housing":

"Until 1938, there was no money to be made in public housing and little political preferment to be gained by its espousal. Now the picture is different: a large housing program benefits not only the slum dwellers but business in general. If the average businessman sometimes shows a lack of intelligence and foresight, he always has his sense of opportunism developed to a high degree.

"In a housing program there is land to be bought, houses to be built, and tenants to be selected. Each step holds great possibilities for the politician and the businessman. The real estate operator has land to sell. The banks have had mortgages which they are anxious to have rescued. The architects have plans for sale. There are building contracts to be awarded. The inhabitants of the slums are tumbling over themselves to get into the developments, which means that there will not only be the usual jobs for those in control to give out, but apartments as well.

"That last plum is a new brand of political fruit which has enormous possibilities for exploitation. Imagine the golden opportunities latent in a \$500,000,000 housing program in New York City. Commissions, profits, fees, jobs, and finally apartments for at least 200,000 voters. It is a bonanza beyond the wildest dreams of the most optimistic politician."

During the summer of 1952, newspapers in Los Angeles, Houston and Seattle contained reports of crime, vice, inefficiency and mismanagement in public housing units.

An attorney for the California Senate Committee on Un-American Activities charged that the Director of Information of the Los Angeles Public Housing Authority was a member of the Communist party. This official refused to tell the court whether he was or was not and subsequently lost his job.

Los Angeles public housing developments were labeled a breeding ground for crime and a costly drain on the city's police, sanitation, highway, school, health, utility and other services.

Startling details of irregularities in operations of the San Antonio Housing Authority came to light when three Board members were charged with mismanagement and inefficiency, inadequate bookkeeping, prostitution and dope rings in the Victoria Courts project, and the "worst record in a six state area" for choice of public housing occupants.

Congressional investigations also have uncovered evidence of compulsory campaign contributions and "reward" tenancy.

The principle of public housing strikes hard at the roots of individual independence and incentive. Tenants of public housing can coast in the pleasure of having up to half their rent paid by the government, receiving utilities at a cut rate, and paying no real taxes.

The homeowner, on the other hand, who is paying taxes on his own home which go partly to make up the government's half of the public housing bills, may justifiably wonder whether he is being penalized for his thrift and initiative.

It is frequently claimed by public housing advocates that public housing changes juvenile delinquents to good citizens. The facts show otherwise. For example, the City Council of Los Angeles in 1952 ordered the Police Department to give them facts on police calls in public housing developments as contrasted to private projects. Police Chief W. H. Parker said that the public housing reflected "higher needs for police service." He cited the Hollenbeck Police Division, which includes

HOUSE THAT "JACK" BUILT!



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Public housing is not low cost housing. It is high cost housing offered at low rent—possible only because of Government subsidies charged to all tax payers.



High cost—low rent public housing apartments completed in the District of Columbia in 1953. Some individual apartment units cost over \$15,000 each.

four public housing projects, as having a high percentage of juvenile delinquents from public housing projects. Forty per cent of the police time spent in that area investigating juvenile delinquency was devoted to the four public housing projects.

Police Chief Parker said that by contrast there was not a single juvenile delinquent arrested during 1951 in the Wyvernwood private housing development, which adjoins a public project. This report certainly indicates that public housing offers no cure to juvenile delinquency. Los Angeles is not the only city to discover this fact. In Houston, Texas, according to the Houston Post, Mrs. Margaret Markle, head of the Delinquency Division of the Harris County Probation Department, said the worst dens of iniquity in Houston were San Felipe and Irvington Courts, both public housing projects. Mrs. Markle said that it is convenient for probation workers to have so many juvenile delinquents in one area since it saves time. She explained that families of many delinquent children have moved to housing projects and that the children are thrown into contact with each other where good children pick up bad habits.

Public housing can eventually strangle free enterprise building. It has happened in every country where public housing has gained a strong foothold.

In the United States, public housing rentals theoretically are required by law to be at least 20 per cent below the lowest charged by private industry. Instead of "protecting" private housing this tends to breed dissatisfaction among private renters, and leads to pressure for ever larger housing programs to cover middle income as well as low income groups.

Proof of this is in the actions of leading public housing groups which, immediately following enactment of the Housing Act of 1949, with its public housing provisions, initiated pressure on Congress for a housing bill to provide units for

middle income groups. If such measures had succeeded, private building would have died as the bill for public housing grew bigger and bigger.

If it were possible to draw a line and segregate a certain segment of public housing and say so far shall this go and no further it might be possible to introduce subsidized tax-free housing into a competitive, capitalistic economy without it seeking to destroy the whole private housing system. It is impossible to draw such a line. Once the process starts it tends to sterilize the large field of capital investment in the income areas in which it appears. The result is a collapse of investment in those income areas which neighbor on government enterprise. That must be avoided.

The citizens of Umatilla, Oregon, wrote to their Congressman, Lowell Stockman, that: "The ideals which we accepted in good faith at the start of the (public housing) program seem to have disappeared and the entire purpose of the county housing authority would seem to be a rubber-stamp device for perpetuating the socialistic ideals of those persons in charge of the Public Housing Authority."

Many people have supported public housing in its original stage, because they considered it to be a slum clearance and urban redevelopment program. The fact is that public housing and slum clearance have no connection. In recent months much of the public housing effort of the Federal Government has been moved to the small cities where slums, as such, do not exist.

As an example—one such city to receive political housing aid was Nampa, Idaho, a community of 16,815 people, according to the 1950 census, although as a small city it had no need for slum clearance or urban redevelopment.

In Alamo, Texas, a farming community of 3,000, the Federal Public Housing Authority is sponsoring 30 low-rent units. But an economic problem has already arisen. At this writing, re-

ports indicate tenants could be found for only 19 units. In other small towns in Texas and elsewhere public housing projects of 20 or less units have been built, climaxed by the construction of two houses at Collinsville, Alabama.

Of course, the difficulty experienced in many places in renting public housing units has not deterred public housing advocates. In many areas where plans are going forward for construction of substantial numbers of additional units, projects now completed cannot be entirely rented. In Birmingham, Alabama, local public housing authorities went so far as to advertise in the classified advertising columns of local newspapers for tenants. Here is a typical ad: "Many low-rent housing units are now being released by the contractor for immediate occupancy. One to five bedrooms, complete with bathroom, living room, hot water tank, electric refrigerator, gas range and kitchen cabinet. Applications are quickly processed at the Project Office, 7527 South 66th Street, or at the Central Rental Office, 2316 6th Avenue, North.—HOUSING AUTHORITY OF THE BIRMINGHAM DISTRICT."

In other towns, a scarcity of people in the low income groups for whom the projects were originally intended, and whose existence was, of course, used as the only possible justification for their building, has been "solved" by increasing the income limits so that persons of fairly substantial income would be eligible.

Although the Housing Act of 1949 purports to leave the choice to municipalities for a public housing program, in practice the Federal Public Housing Authority and most local housing authorities which operate under its leadership, have done their utmost to deprive local citizenry of this choice. The usual procedure has been for the local public housing authority to organize its campaign for approval by the city of the public housing program, and to obtain approval of the city

council long before public opinion has had a chance to crystallize.

It files procedures made out by the Federal Public Housing Authority, and forms prepared by it, the purpose of which is to obtain approval of the City Council at the earliest possible date.

Frequently city councils have thereby been stampeded into voting approval without any information as to the type of project to be constructed, where the projects are to be located, income groups to be housed, or any of the information essential to a sound decision.

In some areas, approval of a public housing program originally voted on such fragmentary presentation has been rescinded. The most glaring example of this has been the city of Los Angeles in which, notwithstanding the fact that the City Council has reversed its previous approval, and a public referendum voted by better than three to two to stop the public housing program, the local housing authority nevertheless still persists in attempting to force its program upon the local voters.

It was encouraged in this by the Federal Public Housing Authority which, regardless that it devises all forms and procedures and supplies the money for this program, did not lift a finger to curtail the planned program. On the contrary, it set aside a substantial portion of its appropriation to assist further projects in Los Angeles.

In 28 cities where referendums have been held as to whether or not the people want public housing, 21 voted against it. Thirty other city councils have refused to waive all taxes as required by the public housing commitment in order to get public housing. In Tyler, Texas, proposals for the construction of public housing were turned down on the basis that public housing projects cost more than those built by private enterprise.

If there is a question as to the contribution of cities toward public housing, it can be dispelled with this statement of the Housing and Home Finance Agency of July 27, 1949: "It is expected that the contributions made by localities through full tax exemption, less in lieu payments, will average about 50 per cent of the actual Federal contribution over the life of the project." Should any community embark on a "dead program" for 40, 60 or 100 years without permitting their citizens to vote on such a program?

Many civic leaders across the nation have urged Congress to require that a referendum be held in every community before public housing can be voted by its governing body.

There is another feature of public housing which should be explained. Since public housing bonds are classified as Municipals, the income from these bonds is not taxed by the Federal Government. During 1951, 1952 and 1953 when there was a desperate need for sufficient mortgage money to finance privately owned projects, the Federal Government announced bond issues through New York brokerage firms—once in the amount of approximately one hundred and sixty-one million dollars, another time in the amount of one hundred five million dollars. The bonds were sold within a few days—and at a low interest rate.

They were sold simply because income from these bonds is tax exempt. The people who are buying these bonds are the same ones who have invested in private mortgages thus removing from the private home building industry a source of funds.

During 1950-51 high goals were placed before the home building industry. A target was set for 1951 of eight hundred fifty thousand housing units. The industry exceeded the target, by building one million ninety thousand units. Private industry, because of Korean war demands for materials, cut its production for 1951 by approximately 40 per cent over 1950. During that same year, public housing, at the demand of the

Administration, went up six hundred fifty per cent. All private industry was subjected to credit controls. The banks operated under what they call the Voluntary Credit Restraint Program. If a private citizen bought or sold electrical appliances, automobiles, or other such items, he came under Regulation W. If a private builder sold a home, he came under Regulation X. But the Public Housing Administration sold one hundred seventy million dollars worth of long-term, tax-free bonds to finance public housing projects in 58 communities, and these were not restricted in any way by credit controls.

In February, 1952, the Senate Banking and Currency Committee called a round table conference on national problems with respect to mortgage financing. The Governor of the Federal Reserve Bank, speaking of inflationary pressure, made this significant statement:

“One important factor which is disturbing to us is the tax-exempt bonds which are being issued to finance public housing. Some \$328,000,000 of such issues were floated in the last half of 1951, together with \$45,000,000 of 6-month notes, and the market anticipates a total issue for 1952 in the neighborhood of \$750,000,000. Not only do such issues absorb some of the funds which would otherwise supply a market for government property, or mortgages generated by new private construction, but they afford an opportunity for wealthy individuals and corporations to reduce, legally, their income tax payments in a period when it is essential that tax revenues be as large as possible. The issuance of these bonds at this time has been of special concern to us in the Federal Reserve, since the Voluntary Credit Restraint Program Committee organized under the Defense Production Act, and with the approval of this Committee, has been exerting strenuous efforts to keep down the volume of such tax exempt securities otherwise originated.”

Practically everyone would agree that decent housing should be available for the lowest income groups. There are, however,

sharp differences of opinion as to the best method of accomplishing that objective. Private industry takes the position that it can adequately provide housing for all of our people. They emphasize that the proper function of government should be directed towards aiding industry to achieve that goal. It can do this by the removal of obstacles to maximum production and encouraging industry to use its natural processes to the fullest extent. This is the traditional American method; that the tremendous energy and ingenuity of such a private enterprise system is the operating force behind American productivity, the envy of the entire world.

Private industry groups, therefore, would summarize the steps to be taken to meet the housing needs of the lowest income groups as follows:

1. Maximum private production of well-planned homes with emphasis upon the lowest attainable price brackets.
2. Use of existing housing supply of nearly 50 million homes, most of it available at low rents.
3. Enforcement of strict health and safety codes to forbid the use of unsafe or insanitary housing and restore "run down" neighborhoods and clear land for redevelopment.
4. Direct welfare assistance for those who need help in obtaining decent but minimum cost housing.

The City of New York has adopted both Federal, State and City public housing programs. These public housing programs have almost driven the private builder out of New York. In 1951, 75 per cent of all units built in New York City were public units. In 1952, it was estimated that 90 per cent was public housing. Units in Long Island that rent for \$100.00 or more per month under private enterprise are rented in New York at approximately \$42.50 per month. The Federal Government and State and City of New York pay the difference. How long can the taxpayers pay these rent checks? It has been the experience of other nations of the world, England,

France, Austria, Australia and New Zealand, that when the Government moves into the housing business, it eventually moves into the building material business and other allied businesses. Public housing is the doorway to socialism.

outdated codes: barrier to progress

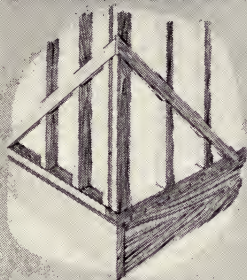
Virtually every American community exercises some control over housing. This control may range from a few elaborate programs, such as are in effect in the District of Columbia, and cover design, space utilization and construction, to the more common and, indeed, universal "building codes."

Building codes exercise a preponderant force upon housing almost everywhere in the United States.

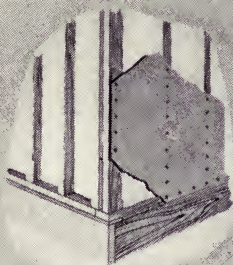
Codes derive their authority from the power inherent in an organized body politic where the public life, health, morals or welfare may be endangered. Simply and briefly, the purpose is to protect both the individual and the community in a physical and financial sense. Thus, in theory, codes should normally be beneficial to the community. But in actuality, they have too often failed to improve the lot of either the community or the individual home owner by failure to keep abreast of latest technological developments and because they are increasingly cumbersome and obstructive to modern building practices.

Originally, codes were simple and brief. They were concerned with structural strength and fire safeguards. However, as building progressed and developed in complexity, so did the codes, moving into such fields as plumbing, electrical fixtures, design, quality of materials, type of materials, and the requirement, in Chicago, for example, of three coats of plaster in every home.

STRUCTURAL



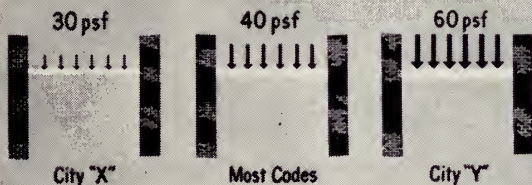
Corner braces unnecessary except for high wind velocities



Large rigid board insulation sufficient in most cases

Home cost can be lowered in many instances if cities will revise excessive, wasteful, building codes. Savings are possible and structural soundness assured by omitting corner bracing where large rigid board sheathing is used.

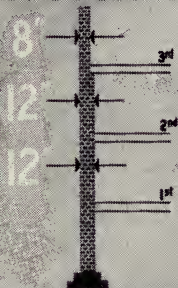
STRUCTURAL



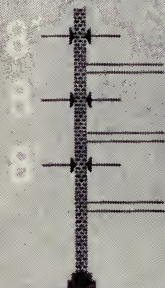
In many codes assumed floor loads are excessive

Many codes still require excessive floor load design assumptions. Experience shows that residential floor loads may be safely assumed at not over 40 pounds per square foot.

STRUCTURAL



Many codes permit 8" brickwalls for only top story



8" thickness ample for 2½-3 story dwelling

Savings are effected by use of 8-in. masonry bearing walls shown by experience to be structurally satisfactory for residential construction up to three-story height.

STRUCTURAL

SNOW LOAD



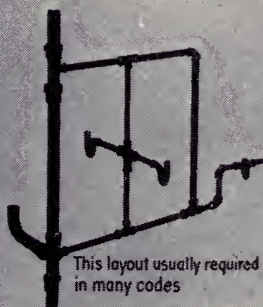
20 psf probably excessive



less than 20 psf more realistic
10 psf seems safe

Many codes require excessive snow and wind load assumptions.

PLUMBING



This layout usually required
in many codes



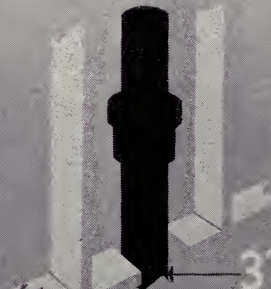
This layout is adequate

Too many codes require unnecessary bathroom vent pipes which require extra labor and material but serve no useful purpose.

PLUMBING



Required by Many Codes



Adequate up to 3 stories

Too many codes require larger and longer drainage lines than necessary. A change from a 4-in. to 3-in. sewer pipe would save 160 pounds of cast iron in the average homes.

What is permitted in one city may be prohibited in the next. Since there are more than 2,500 communities with building codes, and since, in sum, they regulate home building throughout several thousand different ordinances administered by many different local officials, the picture of the building codes of America adds up to an impressive state of confusion. Indeed, most authorities consider obsolete and outmoded building codes one of the great drawbacks to producing the long-dreamed-of truly good, low cost home that any employed American should be able to afford.

A national study conducted by the *Saturday Evening Post* led two authors to the conclusion that building-code restrictions are one of the harassing factors in building which add to the "invisible costs of the overpriced homes."

Their study showed such inequities as these in building codes: "One Long Island town's code forbids the use of plasterboard walls which, builders say, are completely satisfactory . . . This provision alone adds up to \$350 to the cost of the average home. Chicago's codes prescribe three coats of plaster on walls. Most other cities say two are sufficient . . .

"In San Mateo county, California, a code requirement calls for solid sheathing under shingles. Yet lath sheathing would do the job just as well and would save \$150 on the cost of a five-room house . . .

"Radiant heating has made basementless houses acceptable to low and medium income buyers in many northern cities. But codes of a number of communities still outlaw the basementless house . . .

"Some progress is being made in modernizing building codes. But people who know the building industry say, 'Don't expect too much.' And there are good reasons why they feel this way.

"Archaic code restrictions perpetuate many union make-work, shirk-work practices . . .

"Material dealers and manufacturers are no different. They fight just as hard as do the unions to prevent code changes that endanger their interests."

As a matter of fact, a national campaign is being waged by the National Association of Home Builders to promote the nation-wide adoption of the so-called "National" or "Standard Code." Where it has been adopted, the result has been apparent and immediate. Building requirements are simplified. Builders can take advantage of new techniques and materials. The cost of construction goes down, quality goes up.

But to get communities to adopt a sensible code is a difficult, costly process. Most states require that proposed ordinances be advertised in local newspapers. Since the revision or overhaul of archaic codes may sometimes run to several hundred pages, smaller communities, especially, are reluctant even to appropriate the money for adopting a new code which it otherwise may consider a wise and valuable thing to do.

The problem of winning local acceptance for modern building codes is a challenging one. Since the average code is from ten to 100 years old, the need is mandatory if America is to get rid of this outmoded, dead weight that adds to the cost of a home while benefiting only a few interests.

There have been numerous instances during the past few years where manufacturers have offered builders excellent new materials which cost less than the material in use heretofore, and would do the job as well, if not better. Builders have been forced to forego these progressive methods because local authorities turned them down under existing codes.

However, state and local authorities could play a large part in relieving the situation without always modernizing codes just by providing more and better trained administrative personnel. Too often, the local building official's office is understaffed with poorly paid personnel, ill-equipped to make the necessary decisions when materials and methods not identified

within the ordinances, are proposed by architects, engineers and builders.

Public officials also should insure that their states pass legislation making the adoption of modern codes by reference possible. With such state legislation, local communities would be in a position to take advantage of the work done by regional building code conferences in devising up-to-date model building ordinances.

Public officials should insist that the building official's office in their own community is adequately staffed with competent technicians, and that fees collected for building permits be used only for the building official's operation. Building inspectors' offices can and should be self-supporting, competent inspectors would in themselves be able to solve many of the problems attributed to building codes.

When a community adopts a sound, national building code, and provides adequately staffed offices of competent men, this problem, currently the most generally neglected phase of home building, can be solved. Builders are then able to take full advantage of modern technological advances and give their customers better value for their housing dollar.

housing in a defense emergency

On Sunday, June 25, 1950, the Communist invasion of South Korea again precipitated an emergency in the lives and destinies of the American people.

With our entry into the Korean conflict, the government began moving to prevent inflation from wrecking the American economy. The Defense Production Act of 1950, later extended with amendments, granted emergency authority for the administration to control credit, rents, wages, and the price and distribution of building materials—all of direct importance in housing.

The Korean situation also was the signal for the planning and production of thousands of homes and apartment units for defense workers and military personnel.

Since private industry had shown during World War II that it could do the better job for defense and military housing, similarly private industry was given the job of meeting emergency housing needs after the Korean war began.

To show how well private industry responded to emergency housing needs, by the close of 1953, the home builders of America had oversubscribed by more than three to one the government housing goal in nearly 200 critical housing areas.

Particularly, however, in less populated sections the defense housing program was slow in getting started. This was due chiefly to lack of suitable financing and the extremely low

rental and sales prices permitted by the Federal Government. Another factor was a lack in smaller cities and rural areas of necessary community facilities to serve defense housing.

But generally, through close cooperation between government agencies and industry, an outstanding record in behalf of private industry was chalked up again in the Korean emergency as had been achieved during World War II.

The Federal National Mortgage Association was of major importance in meeting defense housing goals since FNMA provided a vitally-needed secondary mortgage market for mortgage funds.

A special form of FHA mortgage insurance was also devised in late 1950 to encourage construction of family housing in or near military or naval bases where the service involved certified that the installation was expected to be permanent.

Where, in former times, the construction of rental units on military bases was handled by the Corps of Engineers, much of this construction during the Korean emergency was placed in the hands of private builders. Reviewing both methods of construction, the *Miami-Herald* on March 11, 1951, commented:

"The better way, apparently, of getting the huge job of defense housing done is by putting it in the hands of private builders instead of making it a direct government operation. This is being proved, at a tremendous savings to taxpayers, in defense projects under construction."

Credit controls over residential real estate were established shortly after the Korean war, and it was recognized that the necessity existed for tapering off the high level of housing production at that time as a method of conserving critical materials and curbing inflation.

However, the mortgage credit controls established by the Federal Reserve Board were so stringent that as soon as the backlog of financial commitments made prior to the issuance of these regulations ran out, the effect was a swift decline in

sales of homes to lower and middle income groups—the very groups most in need of housing. Higher income groups were relatively unaffected by the controls, which, primarily, required a substantially larger down payment on homes.¹

The wisdom of controls which so seriously affects the lower income groups is one to be widely questioned, and it is also seriously questioned whether paying for a new home is any more inflationary than paying an equal, or greater amount, from the same paycheck for rent.

The fact is that lack of foresight in real estate credit controls so thoroughly deflated mortgage financing that by the early months of 1953 most cities found difficulty in obtaining mortgage finance for either new construction or existing houses.

There are also questions to be asked over how much critical material is taken up by housing, and what effect keeping this material out of the new housing market has had on the needs of defense factories during the Korean crisis.

For example, in terms of one million homes annually, metal requirements are only 2.27 per cent of the total production of iron and steel, 7 per cent of the copper, and 1.60 per cent of the aluminum.

One World War II control which long continued to plague America was rent control. Few today would question the temporary needs for rent controls which arose during World War II in many areas. But the danger developed after World War II ended, and thousands raised the cry of continuing controls for “just one more year.”

The result of continuing controls over rents was to frighten the investor who would otherwise use funds to finance rental developments, with the inevitable result that when continued beyond the limit of logical necessity, rent controls eventually had a paralyzing effect upon rental construction.

Having had considerable experience in two wars, it should

be possible to arrive at a rather logical fashion of handling emergency housing controls.

First of all, it is apparent that controls should be both fluid and temporary, designed primarily to prevent excessives rather than force a total conformation to a particular pattern which, within a few months, may suddenly prove no longer necessary.

Controls should always allow for the gradual reestablishment of a free market as other conditions permit.

Controls also must be kept simple. The broad, general regulations which affect basic economic factors should normally be instituted before resorting to complex, detailed and specific rules which tend to become brittle, arbitrary and confusing.

As far as practicable, regulations must be equitable, and apply equally to all segments of the construction industry—including public housing and other public construction.

Controls also should provide for practical consultation between government with industry to produce workable regulations.

In order to clearly achieve the needs of an emergency housing program, it is now apparent that advance government commitments to purchase mortgages are necessary in isolated areas where lenders are unwilling or unable to make loans.

This also requires a coordination with the FHA mortgage insurance program, and federal assistance for community facilities and services which the communities themselves are unable to provide.

manpower and housing

To the person who may casually see one or two homes under construction, or even the post-war phenomena—an overall housing project underway, it may be difficult to visualize the vastness of the home building industry in this country.

This is understandable. Home building is not concentrated in a half-dozen gigantic factories in a few areas—factories which can be photographed in grandeur to reveal the size of the industry.

Rather, home building is like the thousands of small streams which eventually drain into the Mississippi. Any one project by itself may seem somewhat unimportant. Together, though, they make the home building industry one of the largest manpower employers in the United States.

In an average month during 1953, the home building industry employed over 1,300,000 on-site workers during the month.

This means that the home building industry directly employs more men and pays out more dollars in wages and other compensation than any other segment of the construction industry—a record size almost unequalled in this country. In addition, more thousands of men are employed in jobs involving home maintenance, additions and repairs to existing homes.

It is difficult to grasp the total meaning in employment and related industries of this vast industry. Every corporation and

every business which is related to housing, or depends upon it, will hum in periods of high home building volume.

The impact upon the total economy of the United States of this industry cannot be over-estimated. Each new home means the production of lumber and glass, plumbing fixtures and electrical equipment, the manufacture of clay products and other building materials. Each new home further means an impetus to all of America—the home furnishing plants and stores, and the radio and television manufacturers; banks and other financing agencies; landscape gardeners and nurseries.

What kind of a laboring force builds the American home, and under what conditions is that force employed today? These are logical questions which any one interested in housing must ask and understand, since the size of the working force is so large that whatever affects it also has an effect upon the wage earner in nearly every other industry.

Generally speaking, the labor history of home building has been relatively stable and normally peaceful. This stems in large part from the peculiarly localized nature of home building and the close relationship between the builder and his working force.

Throughout the country the skilled craftsmen who build homes are generally about equally divided as to union and non-union workers. Wages are generally equal in both union and non-union jobs.

Until comparatively recently, whatever labor legislation directly affected the home building industry was a result of local and state labor laws, since there was a hesitation on the part of the National Labor Relations Board to take jurisdiction under federal law.

However, with passage of the Taft-Hartley Act, the NLRB began to move into the housing field in minor instances, where a construction project involved the direct flow of out-of-state

materials valued at \$500,000 a year, or an indirect flow of \$1,000,000 a year. What this new policy will mean to both builders and workers is not entirely clear. In some cases both will now be directly involved with the Taft-Hartley labor law.

Directly affected by the tremendous manpower demands of World War II, the housing industry began meeting the pent-up need for homes with a shortage of skilled workers. So builders and unions got together in numerous cooperative programs to bring veterans into the building trades. As a result, the manpower needs of the vastly expanded housing program were met successfully, and continued to be adequate during the Korean emergency.

The peculiarly local aspects of the construction industry were clearly recognized by the Wage Stabilization Board when it established a special Construction Industry Stabilization commission to set wage ceilings and decide wage rate issues. However, when WSB regulations for the industry first were issued a wave of consternation swept through home builders since the commission failed to recognize many of the long-established incentive payment programs to long-term and key employees.

A subsequent regulation by the Commission set above-prevailing wage ceilings. In the spring of 1952, many unions in the home building industry sought to achieve these ceiling wages, with a resultant, but minor, outburst of strikes.

These dislocations to the industry promised to be straightened out, with the appointment of a member of the home building industry to the commission, although the Republican administration abolished wage and price controls before this new set up had been in effect long enough to produce any marked results.

It is now expected that, since the artificial friction created by the WSB has been removed, there may be local labor disputes

due chiefly to a growing unionization drive in some crafts, but on the whole labor-management relations in the industry are expected to continue to be more stable and peaceful than in any other major industry in the country.

housing and inflation

During the first two years of the Korean emergency, as prices spiralled slowly upward and upwards, a great deal of attention was given to the possibility that home building was contributing to the inflationary cycle. It was even proposed during early 1952 that home building be cut from more than one million units to about 400,000. This was suggested as an anti-inflation move.

The question to ask is whether or not home building actually contributes to inflation. But before seeking an answer let's first seek the answer to another question: What is inflation?

Inflation is a situation characterized by a decreasing purchasing power of money, brought about by either: (1) an increase in the available supply of money in comparison with the obtainable quantity of goods and services, or, (2) a decline in the supply of goods and services in comparison with the amount of money in circulation.

Rising prices are not a cause of inflation. They are at most a symbol of inflation and may, in fact, prove to be deflationary. Rising prices—unless accompanied by increases in the supply of money—are likely to be self-correcting, either by discouraging buying or by stimulating the production of more goods.

If production of new goods keeps up with the growth of the money supply there is not likely to be inflation. Moreover, if the amount of new money does not increase except as the

consequences of an additional supply of goods, there is no inflation, because the relationship between money and goods remains constant. This happy situation will exist when the production of the additional goods is financed out of savings, whether these are the savings of the producer or the actual savings of those from whom he borrows. The reason for this is that when savings are invested directly in goods, there is no increase in the supply of money.

When, however, the amount of savings is insufficient to finance all the production desired and an effort is made to supplement savings by bank credit—that is, by an artificial increase in the supply of money—then inflation is underway.

This is what happened during World War II and to a lesser degree in the Korean conflict. The country had to buy a lot of goods in a hurry in order to supply the armies of the world. We were unwilling to do this, except in small part, by savings extracted by taxation; so it had to be done by money manufactured by the various means open to the central banking system. It was this process of “monetizing” the debt during and after the war that was mainly responsible for war-time and post-war inflation.

There were other angles. War goods produced by manufactured money had no ordinary economic value when they were made. It was just as if so much material and work had been dumped into the ocean. Consequently there was no chance of reaching an offset between goods and money. Moreover, the money that was manufactured by the banking system was left in the economy in an easily usable state, at the same time that the amount of goods for people to buy was much reduced. As a result, a terrific inflationary pressure was built up which finally overwhelmed the price control system and sent us on our post-war inflationary spree.

Inflation, as experienced here, was the result of an unbalanced increase in the money supply. It was given unusual in-

tensity because the goods made with the money weren't usable by the people who had the money, and because the amount of goods available for purchase was restricted.

What, now, about homebuilding? Is it inflationary? Since houses are among the most necessary and most durable of goods—since, in other words, they represent real, long-term utility and a means of long-term investment—there is no inherent inflation in their production as there is in the production of war goods. Furthermore, as long as the production of houses is financed by the savings of the buyer and other real savings in lending institutions, there can be no direct inflationary impact from a building program, irrespective of its size or the relative amount of savings that may go into the down payment and the mortgage.

In spite of this, it is often said that housing activity was one of the more inflationary aspects of the post-war period. As Al Smith used to say: "Let's take a look at the record."

During the war there was a sharp curtailment of housebuilding, accompanied by a sharp increase in public buying power. One of the conditions for inflation was thus present—an excess of money in relation to the supply of goods. The result was immediate. Prices of existing houses skyrocketed as purchasers well supplied with money pressed into a market under-supplied with houses. When the chance came to build again, people rushed to buy much faster even than the materials to produce houses could be made. Home prices, already high because of the inflated price of existing housing, rose steadily higher.

The price rise might have corrected itself by a tapering off in buying until supply could balance with demand. But one thing prevented that. As prices rose government action both increased the swollen supply of money and made it still easier for people to use it. This was done: (1) by making it possible for insurance companies and others to get funds for mortgage

lending by profitably selling government bonds to the Federal Reserve Banks where by the processes of central banking they became new money; (2) by keeping interest rates low, thus encouraging people to borrow heavily money that did not represent real savings; and (3) by lowering down payments on FHA and Veterans loans so as greatly to increase the number of people who could bid for the excess money. Since production of houses, though it doubled nearly three times in five years, could not keep up with the inflation-fed demand, prices moved steadily upward.

But it was not homebuilding or homebuilders that caused the almost continuous price rise. It was the combination of a war-created shortage of houses and the government's easy money policy. Homebuilders did all they could do to correct the situation. They broke record after record trying to meet the increased demand. There was no other way, until finally with a brave show of spirit, the Federal Reserve Board in the spring of 1951 changed its bond buying policy so that the money-making process was stopped.

Since the new FRB policy was strengthened by the Eisenhower Administration, lending institutions had to depend upon funds that came to them in the form of savings, and their volume of loans could be increased only as rapidly as new savings came in. This rate obviously could not be as rapid as that possible by the artificial methods of making money, but, once the shock of the change is over, it ought to prove satisfactory.

Demand for houses is still strong—as was demonstrated by the one million produced in 1953, on top of 1.4 million in 1950, and one million in 1951 and 1952, despite credit controls, materials controls, and general confusion. The number of family formations is still relatively high and, with peak employment, new families seek houses sooner. The amount of deteriorated housing that accumulated as a result of a twenty-year under-supply during depression and war is far from being replaced.

Any severe restriction now will breed trouble for both the present and the future.

Yet it was just such actions as this that bemused prophets have vigorously urged from time to time. Eric Johnston, former economic stabilizer, demanded that housebuilding be cut to a limit of 450,000 to 400,000 new units during 1952 as an "anti-inflationary" measure. The effect would obviously have been the opposite. It would have been the most unstabilizing move that an economic stabilizer could dream of making.

Such actions result in the bidding up of prices and rents of existing houses, with the attendant evils of rent control and danger of further corruption of the credit system. It would cause the disruption of efficient building organizations, with the loss of capacity later to overtake the shortage. It could—if readopted, although this now seems most unlikely—produce a resumption of the impatient clamor for houses which followed World War II and which made it so politically difficult to restore sound financing methods.

Every effort should be made to prevent a repetition of the policies which forced construction costs up more than twice their pre-World War II levels. That experience indicates the direction that such efforts should take and which were initiated in mid-1953. First of all the effort was aimed at controlling the monetary system—rather than trying first to control everything else.

The resort to bank financing of a federal deficit is now recognized as a "last resort" measure. Savings should be encouraged. And as large as possible a housing program should be allowed to proceed as may be financed out of savings and limited otherwise only by the necessity to withdraw materials from the normal to a war market.

The requirements of national security plainly must come before everything else. But it is also well to bear in mind that national security means not arms alone. Since there can be no

such thing as absolute security, the several dangers to it and the several means of achieving it have to be weighed together. Inflation can be as serious a threat as air invasion. Both have to be guarded against: not one to the exclusion of the other.

One important way to guard against any new inflationary pressure is to put real savings into housebuilding. And considering all the risks ahead, it may be wise to ask, not "Is housing inflationary?" but "Can we afford to run the risk of inflation by unduly restraining housing?"

21

hidden taxes cost plenty

Everyone has heard of the "House That Jack Built." Here's the behind-the-scenes story of the "House that Taxes Built."

More than 600 taxes go into a new home. In view of this, it is a major miracle that U. S. home builders have produced attractive dwellings at relatively low cost during the post-war years.

When a builder erects a house scores of items included in the price tag are beyond his jurisdiction, but which push the final price tag upward and are a major deterrent in the battle for lower home costs.

The builder cannot regulate the price of lumber and nails, cement and brick. He has little or no control over the cost of hooking up the sewer line. He can't regulate the cost of newspaper advertising, his rate of interest on the construction loan from the bank, the hourly wage paid to skilled carpenters, bricklayers, plasterers and plumbers. He can and does shop around to get the best deal possible but he doesn't set the price—market conditions and competition do that.

So, no matter how hard a builder tries to get the cost of his product down, there still remain many things over which he has little or no control.

Number one on the parade of hidden costs, for which the

builder generally is blamed, is hidden taxes. Few persons would realize there are over 88 taxes alone concerned in the purchase, financing, sale and design of just one house.

And, in the actual construction of the same house, one can count a minimum of 600 other taxes. A dollar and cents estimate of the total cost of this terrific tax impact is almost impossible as the accompanying charts show. It would take the world's best accounting firm a good year to trace all the taxes from the construction phase back to the manufacturing plant of each item that went into the house. The best that can be done is to "guesstimate" the amount of the taxes on a new home. Based on information supplied by the Tax Foundation, a non-profit institute in New York City, a reliable "guesstimate" on the amount of taxes on a \$10,000 house is roughly \$2,000.

Examination of historical guides, traditions and a survey of current trends indicate an upward movement in construction costs in the years ahead, with special reference to the two major cost items in every house produced—labor and taxes.

Therefore, to predict a gradual lowering of today's construction cost levels one must also predict that labor will receive less money per man hour, and that government will collect a smaller percentage of the builder's productive effort in the form of taxes. There is nothing in recorded modern history to support such a theory, although there may be visible in current federal government patterns a trend to seek some tax relief.

Since the sum of direct and indirect taxes currently represents a substantial part of the price which every buyer pays for a new house, there can be no decrease in this substantial part of housing costs unless lower taxes do materialize.

What is the outlook with respect to taxes? Current local and state budgets show new tax peaks in the making. Federal taxes

alone in 1953 were over 100 per cent above the 1920 to 1940 average and each decade from 1789 on has witnessed an increase in federal taxes. Obviously, taxes are costs which must be added to other costs in arriving at a selling price.

Normally, the margin for profit and overhead, the mark-up over all direct costs, in the residential construction industry runs somewhere from 8 to 15 per cent. Indirect costs (overhead) generally take from 6 to 9 per cent of this mark-up, leaving from 2 to 6 per cent for net profits before federal income taxes. This is a very small margin from which the builder has to draw to set up a reserve for contingent expenses and servicing. It is safe to say that no other major industry has as small a mark-up over direct cost as that which prevails in the residential construction industry. No operative builder could long remain in business if this mark-up were lowered to an extent where it would be a factor offsetting tax increases.

It would be pleasant to believe that with constantly rising labor, taxes, material, financing and land costs, the builder could by waving a magic wand keep housing prices of 1960 at or below the level of 1953. It would be a very nice thought, but not very realistic.

Taxation, particularly federal taxation, has become one of the largest factors in the United States today. Indeed, experts calculate that taxation of all kinds, federal, state, and local, is taking something over 30 per cent of our national income.

In the early history of taxation, it was customary to tax a house according to the number of windows it contained. The people of France thought this a cruel imposition and through subterfuge tried to avoid that tax. The small windows of the New England "salt box" stems from a similar colonial tax avoidance. But taxing windows in America today, yes, even all the modern picture windows at a square-foot rate wouldn't begin to bring in all the money derived by federal, state and

local governments via the multiple tax systems and objects of taxation.

Taxes, and demands for taxes, have reached proportions unheard of—even in the years when the nation was fighting global warfare against mighty enemies. The tax sums required to run the federal government alone are counted in many billions and have been for some years.

When the Tax Foundation of New York City made a study of the 600 levies, federal, state, and local, directly or indirectly traced in the construction of a house, researchers assumed this typical structure to be built in the New York City metropolitan area, a fair enough example of the booming house building business of post-World War II. They put it, for the sake of simplifying their problem, in the \$10,000 class.

The study further assumed that the model tax house made use of the services of 11 major subcontractors, i.e.: plumbing, heating, and sheet metal; electrical; excavation, grading, and landscaping; lumber, millwork, and flooring; masonry; steel; walls; painting, roofing; insulation; and hardware.

Each of these 11, the researchers found, pays 12 different federal and state taxes on their activities in conjunction with house building operations. They pay to the federal government:

Individual income tax; telephone tax; transportation of property tax; tax on lease of safe deposit boxes; and employment taxes (Old Age and Survivors' Insurance). Five types of federal taxes times 11 subcontractors equals 55 federal taxes.

Since this model tax house was located in New York State, a run down of taxes paid to the state shows:

State income tax; unincorporated business tax; property tax; gasoline tax; motor vehicle registration; unemployment compensation—as well as miscellaneous inspection and license fees. Seven types of state taxes times 11 subcontractors equals 77

HERE IS WHAT THE HOME BUYER PAYS IN HIDDEN TAXES

Table "A"—Purchase, Finance and Development

<i>Tax Impact Attributable to House: All taxes paid directly by or billed separately by payer to—</i>	<i>Finance</i>				<i>Development</i>		
	HOME BUYER	BANK	TITLE CO.	FIRE INS.	BUILDERS	BANK	ARCHI- TECT
<i>Federal Taxes</i>							
Individual Income Tax							X
Corporation Income Tax		X	X	X	X	X	
Stamp Taxes (security transfers, issues)		X	X	X	X	X	
Telephone		X	X	X	X	X	X
Telegraph					X		
Transportation (salesmen, prospects)		X	X	X	X	X	
Transportation of Property		X			X		
Leases of Safe Deposit Boxes			X	X	X		X
Manufacturers' Excise Tax				X	X		
Employment Taxes (OASI)		X	X	X	X	X	
<i>D. C., State Taxes</i>							
Corporation Organization Fees							
Corporation Income Tax		X	X	X	X	X	
Bank Income Tax		X			X		
Insurance Gross Premiums Tax			X	X			
Unincorporated Business Tax							
Individual Income Tax							
Gasoline Tax					X		X
Motor Vehicle Registration					X		X
Mortgage Tax	X					X	X
Stock Transfer Tax		X	X	X		X	X
Property Tax	X	X	X	X		X	X
Sales Tax		X	X	X		X	X
Miscellaneous License Taxes, Inspection fees ..		X	X	X	X	X	X
Unemployment compensation		X	X	X	X	X	
Recording fees	X		X	X	X	X	

Also Realty Agent.

Table "B"

Tax Impact on One House

*All taxes paid directly
by, or billed separately
by payer, to—*

[illegible]

more taxes. Or a total of 132 taxes paid by the 11 major subcontractors alone.

But that isn't the end of the materials which go into construction, the survey showed. Most came from a neighboring building supply yard. Taking into consideration the needs of eight subcontractors only, it can be estimated that the yard operator is liable for possibly 13 separate federal and state tax transactions with each of the 8 subcontractors. Of the 13 transactions, 6 involve federal taxes, 7 state taxes. Thirteen times eight subcontractors equals 104 more taxes.

Then there must be considered other dealers and jobbers, all in the same geographical area, including the linoleum dealer, and the sources of supply for the plumbing, sheeting, and heating subcontractor; for the electrical subcontractor; for the landscaping contractor—and for the builder himself in his capacity as contractor for the major fixtures. Each of these dealers and jobbers in turn must pay taxes in 13 separate instances, 6 federal, 7 state, adding up to a possible 65 additional taxes.

Generally speaking, the materials are shipped by rail to the area in which the house is being built. So the researchers delved into the tax problem represented there. The complexity of it is evidenced by the fact that the millwork processor, for example, is located in Idaho and ships by three different public carriers to the building yard in the New York City metropolitan area. Without going into the state tax structure as applied to six representative railroads, a number of which are used in several different transactions between different manufacturers and dealers, it appears that five federal taxes are paid in 14 distinct transactions, making a total of 70 more taxes.

But where the taxes really mount is when consideration of the role of the major raw material manufacturing concerns begins. The survey took a look at only a dozen of the major companies who supplied raw materials for the model tax house. Here, approximately, is the box score.

Raw Material Manufacturer	Taxes Federal	Taxes State
Plumbing and heating	7	8
Masonry manufacturer	7	6
Insulation	7	8
Linoleum	7	8
Roofing	7	7
Wallboard	7	8
Electrical and extra fixtures	14	16
Paint	7	9
Steel	7	11
Flooring	7	10
Millwork	7	6
Hardware	7	7
<i>Totals</i>	91	104
	<i>equals</i>	195

All together these mount up to possibly more than 500 "hidden" taxes on construction of what is sometimes referred to as the "dream" house. If to these are added the taxes on the actual purchase, financing and developing for a house of this size, there are another 100 levies that must be paid by the buyer, by the bank, fire and title insurance concerns; by the builder, real estate agent and architect. With this load upon house construction, it is indeed a miracle that sales prices are as low as they are.

The home owner, of course, runs up against taxes. Up to 1950 he could buy an electric dishwasher, and an electric food grinder, a gas clothes drier, an electric mangle, an electric disposal unit, or even a set of electric door chimes, pay the dealer's price—and that was the end of it. But a federal government, steadily eating away more tax money than it can readily raise, then put a 10 per cent federal tax on each of these items. Lump them together and not an inconsiderable sum comes up.

While federal revenue demands place a substantial burden

upon the American tax-payer, the home owner receives a break through elimination of a long-standing injustice.

Formerly a person who sold his residence at a profit, even though he replaced the old residence with another one, was taxed on the profit.

A law passed in 1951 provides that if a profit is made in selling a home, but used to buy another residence within a year, or 18 months if the second residence is newly built, there will be no tax on the profit. The exception is where the total amount received on the old home exceeds the amount paid for the new.

For example, a dwelling purchased in 1940 for \$10,000 is sold in 1953 for \$15,000. The \$5,000 gain is not taxed if a substitute "principal residence" is purchased by the tax-payer within a stated period of time for a price of \$15,000 or more. If the replacement cost is less than \$15,000, say \$14,000, the amount taxable as gain would be \$1,000.

However, the adjusted basis for determining any gain on a sale of the new residence is reduced by the amount of gain not recognized on the sale of the residence.

If, for example, the replacement is purchased for \$19,000, the old residence cost \$10,000 and was sold for \$15,000, the adjusted basis of the new residence is to be \$19,000 minus \$5,000, or \$14,000. If the new residence is later sold for \$17,000 the gain is \$3,000.

If the second residence had been purchased for \$14,000, so that \$1,000 of gain on the sale of the old residence would be recognized, its basis would be \$14,000, minus \$4,000, or \$10,000, and its sale for \$15,000 would result in a gain of \$5,000.

The new rule applies for taxable years beginning after December 31, 1950, if the old residence was sold after that date.

The law characterizes a residence as one's home. If one owns two homes, tax freedom is allowed only from the principal abode, which can be a trailer or a houseboat if it is actually used as a principal residence. A cooperative—an apartment

over a store or stock ownership in the cooperative—is a residence.

A residence may be part of property used for business, an apartment over a store, or a home on a farm. On the sale of the entire property, one receives this tax treatment only for the residence part of the property. Also included are other buildings relating to the dwelling—as a garage—but not a building relating to a business operation.

Purchase of a new residence before December 31, 1950, or in a taxable year ending before January 1, 1951, is, if otherwise qualified, considered a new residence.

Building or reconstructing a house as a replacement for the old one—using the proceeds of the sale for financing—is like buying, but construction must start within one year after sale of the old residence. The new house must be used as a principal residence within 18 months after the sale of the old home. Cost of construction is limited to the investment in the building—not in furniture or other personal items.

It is not required to occupy an old residence up to the date of sale. Nor is it necessary to occupy a new residence on the purchase date. A home owner can move into a new residence and temporarily rent the old one before selling. He is also permitted to rent the new one after buying but before occupancy.

No more than one switch of residence a year is allowed under this special tax treatment, although if compelled to give up a residence because of casualty or condemnation, this rule is waived.

For the purpose of finding if the gain on the sale of a new residence is long-term (more than six months), the holding period is the combined period of ownership of both residences.

Despite sharp federal tax increases, home owners receive breaks not available to non-home owners.

Even though federal income taxes are the highest in history—some tax savings are possible through real estate tax and mort-

gage interest payments deductible when figuring federal and state income taxes.

For example, interest payments on a 25-year term \$8,000 mortgage at 5 per cent interest amount to approximately \$400 annually during the first few years after a home purchase. This figure is an authorized deduction.

With any tax increases, the margin of benefits to home owners rise. As the buyer builds up equity in property, interest amounts paid are reduced accordingly.

Such income tax savings will continue as long as interest and real estate taxes are deductible.

Some states permit veterans to deduct all proceeds of federal or state bonus, pension or insurance money which is applied on real estate purchases.

Although home builders are making every effort possible to level off housing costs in face of steadily increasing taxation, and even though the home owner receives substantial tax deductions on his federal income tax, it behooves every citizen to be concerned over this taxation trend. What has brought this tremendous upsurge of taxation on all forms of endeavor? Largely it has come about because of a trend towards greater federalization. The federal government, spending more and more money, particularly in the past 20 years, has had to reach out for greater and greater tax resources, and has in many cases "moved in" on the sources of taxation previously thought to be exclusively the prerogative of the states and municipalities.

The states, cities, and townships, which in the main rely on the tax on property—and that's where the home owner or builder comes in—squeezed out of the picture to some extent so far as these other sources were concerned have had to increase property levies. In many cases, even increased property tax rates have not been sufficient to keep the lesser segments of government going—and so they in turn have had to turn to other sources—thus adding new taxes.

A recent survey made by one government department showed that in 1932 taxes paid by farmers and others on local property amounted to \$4.4 billion, jumped to \$4.6 billion in 1945 and by 1950 the tax had risen to an estimated \$7 billion. Another survey showed that from 1947 to 1952 average unadjusted tax rates in 212 American cities, for example, had risen by better than 12 per cent. Those increases applied in some degree to all American homes.

For additional evidence of the growth of taxes at the federal level compare the tax receipts of the federal, state and local governments in 1932. The federal government collected about 36.9 per cent of all taxes, the state and local governments about 63.1 per cent. For the fiscal year beginning July 1, 1952, the proportion was: federal, 77.1 per cent; state and local government, 22.5 per cent. These figures show graphically the tremendous growth of federal government and its taxing policies, policies that hit everyone every day of the year.

Can anything be done to relieve the taxpayers of this burden? Is it possible, at a time when the nation must spend billions to defend itself against aggressors, to scale down anywhere, somehow, and yet manage not to impair the defense effort?

The solution can be said to be two-fold. First of all there must be a firm effort made to cut down on the amount of government spending. Demands for up to \$100 billion for a fiscal year seem out of line with realities. Military spending must be examined for waste and extravagance. There is no question that there is "fat" in the federal budget. The same goes for state and local spending, but to a lesser degree.

Authorities in and out of federal government have shown how up to \$15 billion could be cut from an \$85 billion budget *without* harm to the *necessary* functions of government. And experts have asserted that every \$1 billion cut from the federal budget represents approximately \$25 that, on the average, a

four-person family can keep for itself and not have to pay as taxes.

To take a low estimate, \$7 billion, in savings, represents \$175 the average family could keep for its own purposes.

Now estimate what \$175 would purchase in the way of equipment for that new house!

However, it might be noted here that one way in which such tremendous slashes in government spending could be accomplished would be through a demand for less government. If demands for that new harbor basin and a bigger dam are soft-pedaled by the people themselves, it would not be too difficult to begin the paring job in Congress.

In 1948, a group of experts under former President Herbert Hoover made an intensive study of government and came up with a series of recommendations for cutting government costs. Four years after these plans were forwarded to Congress, only about 50 per cent of them had been enacted to some degree. If the rest were approved and put into working order, there would be a noticeable reduction in government spending.

The second angle to cutting government costs is in a more technical vein. It was exemplified in reports made by the Committee on Federal Tax Policy in 1951. In addition to showing how cuts could be made in government spending without detracting from any necessary functions, the committee pointed out that the greatest need is for Congress to regain control of its expenditure function.

The Committee showed that of the \$71 billion plus expenditures for the fiscal year of 1952, only a little over one-third was subject to congressional control through appropriations. The rest, according to the Committee, practically escapes close Congressional control because of the way in which spending programs by prior Congresses have been set up. In most cases these cannot be tampered with by the present Congress and their demands for expenditure must be honored.

However, the Committee said that all the control in the world can do no good—if Congress does not *want* to cut expenditures. Conversely, all the enthusiasm in the world to cut expenditures will be of little avail when it is discovered that Congress has annual control over only a little more than one-third of the expenditures it is called upon to consider. Cutting and better control appear to be, then, the primary needs in solving the problem of heavy federal taxation, now the largest tax consideration in the average American's daily life.

With the number of nonfarm dwellings, according to the Housing and Home Finance Agency, in 1953 amounting to 55 per cent of all occupied units, the highest proportion of owner-occupied homes to total dwellings in the nation's history, it behooves American home owners who have such a large interest in the continued health of the American economy to become more tax and civic conscious. All over the nation, as never before, people are becoming more and more cognizant of the great burden laid on them by taxation. They are banding themselves together in taxpayer groups to make themselves heard in protest against continued high expenditures, climbing taxes and rocketing deficits—for each of these poses a threat to the homeowner or builder, present or future, as well as to the nation itself.

22

lessons from Europe

In 1951, 1952 and again in 1953 a group of experienced home builders embarked on a study of housing in England and on the Continent to learn what would help the home building industry in this country to do a better job.

These builders recognized that one of the most extraordinary American developments since the end of World War II has been in the field of housing. More new dwelling units have been constructed than in any comparable period. The number of home owners has risen to record levels. Aided by a sound financing system, the home building industry has been able to place modern, livable homes within the reach of nearly every American family having a steady income.

Numerous reasons can be given to account for this remarkable progress in housing. Basically, it is a national policy to encourage home ownership. A productive economic system rewarding private initiative has been free to operate, except during a period of national emergency, without governmental restraints. Home builders themselves, and the host of craftsmen, suppliers and services which they utilize, have used their resources and their ingenuity to provide more and better homes for more people.

Despite these accomplishments, fully conscious of the many problems which confront the home building industry, it was felt that a study of European housing would have great prac-



Reporters interview U.S. builders back from European housing tour about housing conditions observed overseas.

tical value. It was in this spirit that the groups, officially named "European Housing Study Committees of the National Association of Home Builders" were formed.

The itinerary of 1952, for example, was planned to give opportunities for conferences and field trips in the following countries: Great Britain, France, Germany, The Netherlands, Italy and Switzerland. One Committee member also visited Denmark, Sweden, Norway and Finland.

While the Committee was principally concerned with technical aspects of housing, it also wanted to study home financing and tax laws affecting home ownership. And it wanted to see what was happening to housing in countries which have departed from economic and social concepts considered by Americans to be essential to lasting progress.

The builders subjected to critical examination everything new and different in house design, materials and construction methods. They had no pretensions as a group to being experts in economics, politics and social reform on an international scale.

Yet, in the course of their study, these factors intruded because of their profound effects upon housing as well as every other phase of European life. To have failed to recognize their implications would have meant failure to make a true evaluation of European housing.

The following "report" summarizes findings, country-by-country. Where major differences exist in individual countries, the committees set them down as fully as possible. The weight of facts, and their over-all impressions lead them to conclusions which, they hope, will receive the thoughtful consideration of every member of their industry and the public at large.

G R E A T B R I T A I N

No one visiting England during these times can fail to be impressed with the fortitude of its people in bearing up under the privations resulting from the second global war in a single generation. Most deplorable is the fact that nearly 20 per cent of the homes in England were destroyed by bombing in the last war—housing which cannot and will not be immediately replaced.

Lacking international exchange, England has been unable to import sufficient quantities of conventional materials such as lumber and metal items to sustain a large volume of construction. In addition, home building had been so controlled and restricted by the former Labor government that all incentive for the production of housing was virtually stifled.

Conversely the emphasis placed on public housing has put the future of private home ownership in grave doubt, and private building for rent appears to be gone forever. Even with the present Conservative government it is questionable whether the drastic changes needed to restore private building can be made.

PRIVATE VS. PUBLIC HOUSING

Under government regulations, private builders formerly were permitted to construct only one unit in five. The four other units were built by a local public authority. In actual practice, according to private builders in England, the ratio is more often likely to be one in six units in favor of public housing. It is entirely possible that no permits for private building may be issued in labor controlled areas. Since the Conservative Party victory in late 1951, private builders have fared somewhat better.

The goal of the Labor government was to complete 200,000 dwelling units a year. The Conservative government raised the goal to 300,000 units per year, of which one in three would be allocated to private builders.

In the five years prior to World War II, 1 $\frac{3}{4}$ million houses were completed—an average of 350,000 per year. Of these, nearly 80 per cent were built by private builders.

HOUSE-BUILDING PRE-WAR

<i>Date</i>	<i>Total</i>	<i>Private Enterprise</i>
1935	329,200	387,560
36	324,860	272,503
37	396,057	274,313
38	337,662	259,584
39	332,318	230,616
<i>Total</i>	<hr/> 1,720,097	<hr/> 1,324,576

HOME CONSTRUCTION—PRE-WAR AND POST-WAR

<i>Date</i>	<i>Total Houses Completed</i>	<i>Houses Completed by Private Enterprise</i>
1945-46	58,414	28,412
47	139,690	32,391
48	227,616	22,213
49	197,627	21,721
50	198,171	26,481
51	194,831	15,216
<i>Total</i>	1,016,349	146,434

British builders are struggling purposefully to correct this dangerous situation. They admit freely that they were tragically inarticulate and inept in fighting the trend toward socialized housing which, they estimate, got under way forty years ago.

RENT CONTROL

Rent control is killing any desire for private ownership of rental property. There were many cases reported of property owners abandoning property because of rent ceilings.

The formula for rent ceilings is based on 1937 rentals, subject to minor adjustments. Frequently, ceilings on rentals for pre-war housing are so low that landlords are unable to maintain the property or pay taxes. It is not unusual for landlords to offer the sum of 10 shillings to anyone who will take a debt-free, solid stone house off their hands, thereby relieving them of the upkeep costs.

Every unit of housing built by a local public authority nowadays is given a subsidy of 22 pounds per year for maintenance. The political potentials of such cash payments to large num-

bers of voters will be readily apparent to thoughtful students of human behavior.

HOUSING BY GOVERNMENT PLAN

The Town and County Planning Act of 1947 provides for the creation of 14 new municipalities in the London Metropolitan area. One of these, Crawley, was visited by the Committee which agreed that, by American standards, the multiple units are primitive and costly in relation to the prevailing economy.

In two sections of London graphic evidence was found of the inability of a controlled economy to provide adequate housing for the people. In Croydon, with a population estimated at 300,000, 9,000 applications for housing have been screened and approved. But the housing allotment for Croydon during 1951 was only 750 units.

In Dorking, with a population of about 20,000, 900 applications have been processed and approved. But construction during 1951 was 67 units.

When housing is built by government it is assigned to families, on the basis of their need for shelter. The family has no choice of type or location, nor is its financial or social status considered.

All incentive to real estate development has been wiped out by the Act referred to above. All property has been zoned and the property owner who is successful in having low-value property rezoned cannot profit if he then sells his property. To illustrate, if farm land worth \$300 an acre is rezoned for residential development and subsequently sold for \$2,000 an acre, the property owner is taxed the full increment (\$1,700) on the sale.

LABOR PRODUCTIVITY

The American visitors were unimpressed by the productivity of labor in Great Britain. According to their information, bricklayers lay from 80 to 400 bricks a day. Productivity of other workmen is equally low in comparison with American standards. Builders and contractors are trying to step up production through a bonus system. In some cases this has been successful in raising productivity of bricklayers to 900 or 1,000 bricks per day. This does not alter the fact that the basic standards of productivity are dangerously low in a nation whose ultimate survival may depend on high productivity.

BUILDING FOR PERMANENCY

Masons, carpenters and other skilled workmen receive about 45 cents per hour. Durable materials such as brick, stone and cement which can be obtained locally are relatively cheap under price control. Despite inexpensive labor and materials, the cost per square foot is about 65 per cent of the cost of similar construction in America.

Most government housing is designed and built for permanency. Cavity wall construction is used in outside walls which has decided advantages and could be adopted more extensively in this country.

CAVITY WALL CONSTRUCTION

Two four-inch courses of brick are laid with a two-inch air space between. The courses are held together with heavy wall ties twisted in the middle. Care is exercised not to allow the

cavity to become filled with mortar. The walls stay dry, even in England's moist climate, and the interior facing can be plastered without furring.

The roofs are of tile carried by 2 x 4's which are trussed in such a way as to carry the heavy load.

It is estimated that this type of construction would cost approximately 8 per cent more than conventional brick veneer or frame construction in this country. Its permanency recommends it, since it would justify a longer term mortgage, thus enabling the average home buyer to carry the added cost without difficulty.

In the typical modern housing project, accessories, fittings or appliances are virtually nonexistent. Plumbing is old style, with much exposed piping. Usually only a single base plug or electrical outlet is allowed per room. Tenants furnish all heat, which is provided by a type of fireplace coal furnace with pipes leading to outlets in the various rooms.

There seems to be no question that private enterprise could build more and better housing in England if it had the freedom to do so. Most of the private construction is financed without difficulty. Mortgages up to 90 per cent of valuation are available.

But until the government encourages and permits home ownership and makes it possible for private builders to fill the tremendous backlog of demand for housing, English builders seem doomed to sink even deeper into the socialistic quagmire in which they are now trapped.

FRANCE

If the Committee was depressed by conditions in the building industry in England, it was completely despondent after a survey of conditions in France.

PRODUCTION UNDER RENT CONTROL

The key to the critical housing situation in France is the fact that this nation has had rent control for 34 years. The result is that in Paris, for example, 90 per cent of all housing is more than 35 years old; only 10 per cent of existing Parisian housing has been built since rent control, a subsidy extracted from the landlord and distributed by the State, was imposed.

For the country as a whole, in all cities over 30,000 population, fully half of all housing units are classified as uninhabitable by modern standards.

An estimated 3,000,000 new units are needed now to meet the backlog of demand for adequate housing. From the liberation of France to January 1, 1952, 249,820 houses were built. Of these, 44,345 were erected in 1951.

With their property rights and freedom to bargain having been violated for so many years, French landlords have lost interest in their property and have done as little maintenance work as possible, and practically no property improvement.

The basic rent control law set rents at approximately 4 per cent of a person's income, with no rental to exceed 10 per cent of income.

A recent law is intended to help correct the obvious inequities of rent ceilings in a country whose currency has been inflated 2,500 per cent since 1939. Under the new law, 33 per cent increases in dwelling rents are being permitted each six months until a total of 400 per cent increase is reached by January 1, 1954. Commercial leases will be allowed to increase 800 per cent.

This is a step in the right direction but it is not yet adequate. It has not yet wiped out the notorious "sale of keys" that is the special brand of black market created by rent control. This subletting of apartments for cash payments is now illegal, ex-

cept for commercial locations. Past experiences prove, however, that when people need housing and no new housing is created to meet their demand, they will go to fantastic financial lengths to find a place to live, all pious laws to the contrary notwithstanding.

Theoretically, there is no ceiling on commercial rents in France. The landlord is not, however, allowed to demand possession of his own property at the expiration of a lease. He must offer to negotiate a new lease with the occupant. If the landlord refuses to negotiate, the tenant can hail him into court and a committee of "experts" decides the terms and conditions of a new lease. The landlord is forced to accept these terms and conditions.

The French government has recognized the importance of stimulating construction activity and has taken limited steps in that direction. A reduction in the transfer tax and exemption from ad valorem taxes for the first 15 years are being offered for the construction of new apartments. A subsidy, which may be as high as 50,000 francs per year per unit for 20 years, is granted anyone building a new apartment. The builder may sell the apartments and retain the subsidy or sell the subsidy with the apartment, at a higher price.

HOME FINANCING

The touring builders' observation was that most housing being built now is of the luxury type. Because of the limitation of mortgage facilities and a general reluctance to invest in rental housing, most construction is for sale.

There appears to be no well-defined mortgage market. Banks or private investors may make loans of 30 to 60 per cent of valuation at interest rates ranging from 9 to 15 per cent and terms of from 10 to 20 years.

Government financing of rental housing may amount to 90 per cent of the valuation with an interest rate of 2 per cent and a 65-year amortization period.

Financing arrangements require an extraordinary amount of time, judged by American standards. It was commonly reported that it takes from one to two years to work out a loan and another two years to complete the project.

PROJECT DEVELOPMENT

French builders and workmen seem to lack the "drive" and "push" which is characteristic of American contractors and labor when they undertake an important project. Symptomatic of this condition is a large scale rental project located between Paris and Versailles which the Committee visited.

This project intended to comprise 2,000 units, had been started early in 1947. Actually only 292 units have been completed, and work was progressing very slowly on another 700 units. Members of the Committee estimated that, at the present rate of construction (or lack of it), it will take three more years to finish the job.

Many foundations and basements were completely covered with weeds and brush to such an extent that it will be necessary to clear the site again before work can be resumed. Heavy equipment, including three large cranes, was already badly rusted. The site operation plant was itself half the size of the project. It was apparent that the builders were trying to pre-cast, prefabricate and handle on the job many specialized operations that could be done more efficiently by specialists.

In their opinion, French engineering and architecture are worthy of detailed study, particularly with reference to techniques that minimize the importance of steel and other metals.

But no amount of ingenuity in this area, the Committee

agreed, will be sufficient to provide adequate housing for the French until a new spirit of private initiative and enterprise is created. It is obvious that there is no incentive for private enterprise so long as rent control, cartelism and monopoly restrict the free development of business in France.

GERMANY

It was the Committee's impression that the Germans are wasting no time in idle contemplation of their defeat in the last war but, on the contrary, are systematically and industriously going about the business of rebuilding their nation.

Wherever the Committee visited—Munich, Frankfurt, Cologne and the Allied Sector of Berlin—the determination of the German people to stage a “comeback” was abundantly evident. Many persons are still living in basements of bomb-ravaged buildings but their spirits are high and they are not afraid to begin the smallest business if it appears to have a chance to grow and expand.

During 1950 in Berlin more than 11,000 units were repaired and made habitable and 1,000 units that had been started during the war years were finally completed.

In addition, approximately 3,600 new housing units were built for rental. Most of these projects were initiated by the Building Associations or Societies which are essentially private cooperative ventures. These groups receive no direct subsidy but get financing assistance from the city.

They were given to understand that most of the repair and rehabilitation work is initiated by private enterprise and financed with private capital. In special circumstances, E.C.A. funds may be made available and there is general agreement among the Committee that the Marshall Plan contributed substantially to German recovery.

While in Berlin, members of the Committee visited briefly in the Russian Zone and were interested to note that little, if any, low-cost housing appears to be under construction. The Russians have not, however, hesitated to exploit the propaganda values of new construction. A number of attractive public buildings have been completed and one large structure, at least, has been located where it will attract attention from the Allied Sector.

The rebuilding of Germany is undoubtedly hampered by the absence of labor-saving devices and by reliance on old-fashioned construction methods. All plaster and concrete is mixed by hand, for example, and bricks removed from rubble by hand are also cleaned manually.

It was in Germany that the tourists had an opportunity to study the advantages of pre-stressed concrete. It permits a great saving in metal which is essential there as it is now in America.

By way of illustration, 875 pounds of metal is sufficient in a 32 x 12 span, 60 feet long, supported in the center by a column. In ordinary commercial construction here, 7,500 pounds of steel are required to do the same job.

The additional labor cost incurred in forming and handling the materials to some extent offsets the saving in metal, but this is not important in Germany where labor is relatively cheap.

The Western Germans are giving a convincing demonstration that they are not afraid of hard work. With increased support from private industry and a minimum of government interference, this attitude may well be Western Europe's first bulwark of defense against militant Communism.

THE NETHERLANDS

The need for additional housing in the Netherlands is still acute but the people are tackling this problem with optimism.

determination and a minimum of government control. Their chances of "winning through" appear excellent.

It must be remembered that Holland was occupied for nearly five years, and that one-third of the land was flooded by the Germans when they retreated. But government cooperation and encouragement, rather than control, seem to be the keynote of Holland's efforts to build a new post-war society.

HOUSING FINANCE

"Building Societies" are the vehicles for most new construction in the Netherlands today. They were originally developed about the turn of the century to eradicate slum areas and were eminently successful. A Society is formed by a group of individuals interested in providing housing for themselves or in filling a community need. There are ten such societies in Amsterdam at the present time and it is unlikely that new ones would be recognized by the Government to operate in that city. In some rural areas, organizations of new societies might be encouraged.

The first step in the operation of a recognized society in developing a new project is to obtain, from the municipality or an individual, an option or long-term ground lease for a particular site. Project plans are then prepared and submitted to the Municipal Housing Authority. Following approval by this body, the project is submitted to the Ministry of Reconstruction at The Hague. If materials (and Government funds) are available, the project is then authorized.

The Ministry, through the local Housing Authority, will give the approved project a 100 per cent self-amortizing loan of 3.75 per cent or 4 per cent interest for 60 years. Rents for the project are frozen at a level believed to be within range of prospective tenants, even though the ceiling adopted may not

permit actual amortization of the loan. The difference between the rental ceiling and the actual "economic rent" required to liquidate the project is paid to the Society in the form of a subsidy by the local Housing Authority.

As long as the Government's 60-year loan remains unpaid, the Government has the right to take over the properties, assume all obligations and operate the project. In practice, however, this is never done. Despite the fact that housing is tax-supported, the Government prefers to let the private societies operate the projects they have initiated.

RENT CONTROL RELAXED

Present subsidies and rent freezes are intended to be both temporary and realistic. Last year all rent ceilings were raised 15 per cent on older houses requiring special maintenance. Holland has had rent control in the past and has removed this restriction as conditions warranted such action. There is no reason to believe the Government will not follow the same policy in the future.

Productivity of labor in Holland appears to be high and builders are showing initiative and imagination in the use of prefabricated concrete sections and tiled roofs which are gradually replacing the thatched roofs that once distinguished the Dutch landscape. Labor-saving devices are being used with increasing efficiency and the utilization of land, particularly in the creation of park-like settings for low-cost housing, might well challenge many American builders. Included in the rent in many projects is a fee for the gardener who maintains all lawns, flowers, gardens and play areas. They are conspicuously beautiful.

The absence of slums in the section of the Netherlands visited by the Committee was a noteworthy highlight of the trip.

The neatness and cleanliness traditionally associated with the Dutch was vividly apparent, particularly in the maintenance and modernization of old structures. While this is partly a matter of observance of law, it appeared to your Committee to be a fundamental expression of the optimistic, forthright approach with which the people of the Netherlands are fighting their way back from four-and-a-half years of brutal occupation.

ITALY

Many of the observations made in connection with your Committee's visit to France can be applied appropriately to housing conditions in Italy. Except for the wealthy minority, housing conditions are sub-standard for most people and the only new building now going on seems destined to be occupied by upper-income families.

Inflation, rent control, the dominance of cartels and the fluctuation of the Italian currency all conspire to discourage rental housing. Added to these economic factors is the political unrest stimulated by the sizable Communist element in the population.

Rent control in Italy has produced the same unhappy results that were apparent in England. Property owners in many cases are eager to give away their property, or even pay someone to take it off their hands, because the legal income possible under rent control is insufficient to maintain, much less improve, existing structures.

LUXURY HOUSING

There is little or no low-cost housing. In the middle- and upper-income apartment field, the most popular project is a five-story

building with a penthouse. Most have two or three bedrooms, living and dining room, kitchen, maid's room and bath. Many are striking in appearance, due to effective use of marble on floors, bath walls and kitchen.

In Rome, the Committee inspected housing of the type which is available for the average worker's family. It consists of buildings grouped around a court, having access to the street through a passage leading through the buildings facing the street. Six hundred people were lodged in 50 two-room apartments, an average of twelve persons per unit.

Banks do not appear to have adequate capital for home financing and builders are required to make their own arrangements. Usually this involves forming a partnership, the sale of stock or the enlargement of the company in order to obtain capital.

MORTGAGE RATES AND TAXES

Under favorable conditions, it is possible to obtain a loan of approximately 30 per cent of the valuation for a ten-year period at rates varying from 10 to 18 per cent interest. As in France, the Government offers some inducements to new building, notably an ad valorem tax exemption for the first 25 years.

Buyers of new housing (less than four years old) must pay an 8 per cent transfer tax. A tax of 16 per cent is levied on the transfer of older property. Builders are required to settle their income tax payments after each sale, the rate being a flat 29 per cent of the profit involved. There is some reason to believe that not all declarations are valid.

All things considered, the productivity of Italian workmen is good. Working on piecework rates, masons, for example, will lay up to 1,000 bricks a day and will be paid between \$80 and \$100 a month. At daily rates, skilled labor receives 1,250

lira and common labor 1,001 lira—something like \$2.00 per day at the current rate of exchange.

Building contractors are heavily taxed with 16 different imposts based on payrolls. These taxes amount to 79 per cent of the sums paid skilled labor, and 84 per cent of the sums paid to unskilled labor.

So long as rent control, taxes and other restrictions continue to stifle builder incentives, it appears unlikely that the average Italian workman will ever be able to enjoy the fruits of his own labor.

SWITZERLAND

Switzerland appears to be the last bulwark of free enterprise in the Old World. The Swiss believe that Government should have no permanent place in business or housing and they have translated that belief into a set of practical principles that are producing good housing with a minimum of bureaucratic control or interference.

There is rent control in Switzerland but it is a common sense type of control with ceiling kept on a level with increased costs of maintenance and operation. There was no rent control prior to the war and it is expected that present ceilings can be eliminated in the near future. Last year ceilings were increased a flat 10 per cent. Rental ceilings on units in new buildings are based on the cost of construction and approximate a return of 5.8 per cent per year on total cost.

During and immediately following the war the Government provided financial assistance to encourage home building. Generally, this financial aid was made available to "Building Societies" in which the public could also invest. Many of these societies show a profit on their operations. A major factor in

the Government's decision to discontinue aid of this type was the fact that these groups became "too profitable."

Standard home financing practice in Switzerland is distinguished by several devices which amaze many American builders, bankers and legislators interested in housing credit.

UNIQUE FINANCING PLAN

An individual wanting a house or a farm or an apartment in a city can build anything that he can pay for without restriction. Usually he can get a 60 per cent first mortgage from his bank at no fixed maturity date. (The note is callable by the bank on six months notice.) In addition, the prospective home owner can obtain a second mortgage for 10 per cent of the value of the proposed property at 4 per cent for 10 to 20 years. Thus the would-be home owner gets a 70 per cent financing arrangement without Government subsidy or guarantee of any type.

During the period of acute housing shortage, the Government did offer to the Building Societies and to needy individuals a 25 per cent third mortgage at no interest and with no maturity date. So long as there was a Government loan on a property, it could not be sold at a profit by the original or any subsequent owner. This was the only price control imposed on new housing.

The callable note to a bank with no fixed maturity date is the backbone of most residential building finance in Switzerland. While it may appear impracticable to American credit experts, it seems to work for the Swiss for two good reasons. The first reason is the long tradition of honesty and fair dealing established by the banks in their communities. The second reason is the limited liability feature of the note. No personal liability at-

taches to a home mortgage; the banker looks only to the collateral for security.

The owner makes payments to clear his second mortgage first and then makes payments against the first mortgage as his income permits.

The net result is that Government, with limited exceptions in some municipalities, stays out of the housing field and lets private enterprise do the job. The only rental housing operated by Government is charity housing and is classified as such. The intent is to encourage people to exert initiative and to remain self-supporting. This intent is largely fulfilled.

Labor is partially organized in the home building industry and piecework incentives are widely used to increase productivity. Construction, which involves the use of wood on a broader scale than in most European countries, is probably more permanent than standard American home construction. Mechanical details are excellent although most low-cost housing does not have many of the built-in features common in comparable housing in the United States.

The Committee was deeply impressed with the self-reliance, initiative, honesty and common sense of the Swiss, as revealed in personal conferences and by observation of their achievements. It was said that their example can and should be an inspiration to other peoples who proclaim the inevitability of expanding Government control of the day-to-day lives of men.

The Committee undertook its studies of housing in Europe with the primary objective of acquiring technical information which could be put to practical use by American builders. In this respect, the study was productive. But new housing is an intimate part of the social and economic environment in which it is created, and inevitably the inquiry led into these broader fields.

It is essential to recognize that much of European industry

functions under a system of production and price controls accomplished by government monopolies and private cartels. This results in a limited output of goods for restricted markets at relatively high prices.

An outgrowth of feudalism, the system benefits a privileged few, and the profits of industry are dissipated by bureaucracy or paid to owners and managers of business who are subject to high taxation. Labor is not compensated in proportion to the wealth it creates, and is obliged to spend what it earns for the bare necessities of life.

The inability of the great majority of the people to save out of their earnings accounts for the absence of savings banks and insurance companies which, in the United States, provide sources of capital for industrial expansion including the financing of housing. There is no credit system by which consumers can purchase on the installment plan.

Contrary to popular belief, the cost of living is not much lower in Europe than it is in the United States. There are "some bargains" which appeal to tourists, but food and clothing are only about one third less. The working classes, which have to spend 75 per cent of their income for food, cannot provide a market for modern housing and the labor-saving devices which commonly go with it in this country.

Within this economic framework, private builders have steadily lost ground to social reformers advocating various forms of government subsidized housing. Builders have been hampered by high taxes and the ill effects of rent control. Material shortages and the low productivity of labor have further complicated their problems.

If the experience of England and France has any meaning it is that the socialization of housing is not the answer. Production of housing, particularly for families of low income, has fallen far short of actual needs in these countries; and the same may be said of Italy, where most of the building is in the luxury

class. Conversely, the greatest progress in housing has been made in those countries, notably, Switzerland, Holland and Germany, where private builders have been able to operate with comparative freedom from government restraints and the competition of public housing.

It is evident, too, that once a nation resorts to direct government benefits to provide housing, the greater the requirements for government assistance become. At the same time, private builders have less incentive, less opportunity to do their job. There is no such thing as a little socialism—a little public housing.

From the standpoint of public housing the European experience is of the utmost importance to America, specifically to those who persist in agitating for the extension of federally subsidized housing. Carried to its ultimate conclusion, such a program can only result in crippling the home building industry, and undermining the economic system of which it is a vital part. It was the earnest recommendation of the Committee that the U. S. Government get out of the business of building and operating housing as quickly as possible.

For technical as well as economic reasons, most of the new homes being built in Europe, both single and multi-unit dwellings, are constructed to last indefinitely. The advantages to this approach to housing, and the methods by which it is accomplished, deserve the thoughtful consideration of American builders.

Except in Switzerland and the Scandinavian countries where lumber is plentiful, most of the new housing, whether publicly or privately built, is constructed of the most durable materials: stone, concrete, stucco, marble and clay products. Under a given maintenance program, these structures are likely to outlast ordinary frame construction.

Although the terms of home financing vary from country to country, it appears that "permanent building" permits a higher

ratio of loan to value and a longer amortization period. This is the case even where mortgage lenders look solely to the structure for their security without regard to the credit of the borrower.

European builders display considerable skill in the economical use of the durable materials. Cavity wall construction as it is used in England costs about one-third less than the same type of construction in this country. The Dutch find it economical to use pre-cast concrete slab wall construction in their newer multi-family developments. Italian builders who use a great deal of stone and marble in expensive apartment projects make a practice of building extra floors on top of the original building with attendant savings. Pre-stressed concrete has obvious advantages, especially during a period when steel is in short supply.

The Committee was of the opinion that certain, if not all, of these methods and materials, can be adopted in this country, particularly for low-cost developments. It would be necessary, however, to lengthen the amortization period of mortgages to enable borrowers to bear the higher cost of this construction.

Assuming good design and standard American equipment, new developments "built for permanency" would represent relatively sounder values for borrowers and lenders. Neighborhood deterioration, largely due to inadequate maintenance, which is creating great social and economic problems in many of our cities, would be lessened.

Joined with most of Europe in a common effort to raise the living standards of the world, it seems appropriate that America should make an effort to encourage European builders to visit this country and study home building here. The Committee recommended that the National Association of Home Builders, perhaps in cooperation with the U. S. Government, take the necessary steps to accomplish this desirable purpose.

addenda

FHA and VA Starts Compared with Total Permanent Privately-Owned Nonfarm Starts: 1935-1952

Period	Units in FHA starts /a			Units in VA starts (family homes) c/	Units in BLS private starts				As a percent of BLS total private starts	
	Total	1- to 4-family homes	Project housing b/		Total	1-family	2-family	Multi-family	FHA starts	VA starts
1935 - 1952	Cumulative data									
	3,225,714	2,624,471	601,243	996,953	10,547,100	8,913,200	449,400	1,179,500	31	xx
	Annual data									
1935	13,964	13,226	738	xx	215,700	182,200	7,700	25,800	6	xx
1936	49,376	48,752	624	xx	304,200	238,500	13,300	52,400	16	xx
1937	60,003	56,980	3,023	xx	332,400	265,800	15,300	51,300	18	xx
1938	118,741	106,811	11,930	xx	399,300	316,400	18,000	64,900	30	xx
1939	158,119	144,657	13,462	xx	458,400	373,000	19,700	65,700	34	xx
1940	180,091	176,645	3,446	xx	529,600	447,600	25,600	56,400	34	xx
1941	220,387	217,091	3,296	xx	619,500	533,200	28,400	57,900	36	xx
1942	165,662	160,204	5,458	xx	301,200	252,300	17,500	31,400	35	xx
1943	146,434	126,119	20,035	xx	133,700	136,300	17,800	29,600	60*	xx
1944	93,259	83,604	9,655	xx	138,700	114,600	10,600	13,500	67*	xx
1945	44,159	38,397	2,262	6,000e	203,100	184,600	8,800	14,700	20	3
1946	69,033	67,122	1,911	83,000e	662,500	590,000	24,300	48,200	10	13
1947	228,818	178,052	50,766	*211,000e	845,600	740,200	33,900	71,500	27	25*
1948	291,053	213,443	77,610	102,000e	913,500	763,200	46,300*	104,000	32	12
1949	360,541	249,365	111,176	105,000e	988,800	792,400	34,700	161,700*	36	11
1950	445,930*	327,494*	153,436*	200,000e	1,352,200*	1,150,700*	42,200	159,300	36	15
1951	263,533	186,924	73,943	148,679	1,020,100	892,200	40,100	37,800	26	15
1952 f	279,901	229,035	50,816	141,274	1,073,600	945,000	45,200	33,400	26	13
	Percent change 1952 from --									
1951	+6.2	+22.6	-31.3	-5.0	+5.2	+5.9	+12.7	-5.0	xx	xx
1950	-42.4	-30.0	-67.9	-29.4	-20.6	-17.9	+7.1	-47.6	xx	xx

* All-time high.

p - Preliminary

/a/ Based on FHA 1st compliance inspection.

b/ Includes single family and multifamily structures under Sections 207, 213, 603, 611, 803, and 903.

c/ Estimated on basis loans closed prior to June 1950, since then based on VA 1st compliance inspection.

Source: Federal Housing Administration, Veterans Administration and U. S. Department of Labor

(1-29-53)

FHA and VA Home Loans Compared With Total Recordings: 1939-1952

FHA and VA home loans made up 26 per cent of the total amount of nonfarm mortgage recordings of \$20,000 or less in 1952, the lowest percentage in 6 years. VA loans equaled only 15 per cent of total recordings in 1952 compared with 22 per cent the previous year while FHA loans showed little change, 11 per cent compared with 12 per cent in 1951.

Year	Estimated amount nonfarm mortgage recordings of \$20,000 or less (\$'000)	Federal Housing Administration and Veterans Administration						Other recordings of \$20,000 or less	
		Total home loans insured and guaranteed		FHA home loans insured		VA home loans guaranteed		Amount (\$'000)	Percent of total recordings
		Amount (\$'000)	Percent of total recordings	Pace amount (\$'000)	Percent of total recordings	Principal amount (\$'000)	Percent of total recordings		
1939	3,506,563	694,764	20	694,764	20	xx	xx	2,811,799	80
1940	4,031,368	762,084	19	762,084	19	xx	xx	3,269,284	81
1941	4,731,960	910,770	19	910,770	19	xx	xx	3,821,190	81
1942	3,942,613	973,271	25	973,271	25*	xx	xx	2,969,342	75
1943	3,861,401	763,097	20	763,097	20	xx	xx	3,098,304	80
1944	4,605,931	707,363	15	707,363	15	xx	xx	3,898,568	85
1945	5,649,819	666,485	12	474,245	8	1,192,240	3	4,983,334	88*
1946	10,589,168	2,724,256	26	421,949	4	2,302,307	22	7,864,912	74
1947	11,728,677	4,180,841	36*	894,675	8	3,286,166	28*	7,547,836	64
1948	11,882,114	3,997,010	34	2,116,043	18	1,880,967	16	7,885,104	66
1949	11,828,001	3,633,433	31	2,209,842	19	1,423,591	12	8,194,568	69
1950	16,179,196	5,565,676*	34	2,492,367*	15	3,073,309	19	10,613,520	66
1951	16,405,367	5,542,913	34	1,928,433	12	3,614,480*	22	10,862,454	66
1952	18,017,677*	4,663,382	26	1,942,307	11	2,721,075	15	13,354,295*	74
Percent change 1952 from --									
1951	+9.8	-15.9	xx	+0.7	xx	-24.7	xx	+22.9	xx
1950	+11.4	-16.2	xx	-22.1	xx	-11.5	xx	+25.8	xx

* All-time high.

/a/ Activity in 1944 is included in the 1945 annual total.

Source: Home Loan Bank Board, Federal Housing Administration, Veterans Administration

(2-25-53)

Nonfarm Mortgage Recordings of \$20,000 or less: 1939-1952

During 1952, the amount of mortgage recordings of \$20,000 or less reached a peak level of \$18 billion (10 per cent above the 1951 high), while the number of recordings—3,028,000—was fractionally below the record total of 1950. Mortgages recorded by savings and loan associations (\$6.5 billion) were at an all-time high and made up 35.8 per cent of the total amount, the highest percentage of total recordings in history.

Year	All mortgages			Type of mortgage					All other mortgages
	Total number	Average dollar amount	Total amount (\$'000)	Savings and loan associations (\$'000)	Insurance companies (\$'000)	Commercial banks (\$'000)	Mutual savings banks (\$'000)	Individuals (\$'000)	
1939	1,288,032	2,722	3,506,563	1,058,206	287,204	890,590	142,849	588,430	539,284
1940	1,455,865	2,769	4,031,368	1,283,628	333,724	1,005,893	169,907	640,350	597,866
1941	1,628,407	2,906	4,731,960	1,489,909	403,684	1,165,501	218,428	783,177	671,261
1942	1,351,290	2,918	3,942,613	1,170,546	361,743	885,803	165,581	732,697	626,243
1943	1,273,993	3,031	3,861,401	1,237,505	279,866	752,543	152,054	857,681	581,752
1944	1,445,616	3,186	4,605,931	1,559,850	257,070	878,272	165,065	1,130,718	611,956
1945	1,638,557	3,448	5,649,819	2,017,066	249,819	1,097,039	216,981	1,402,487	666,397
1946	2,497,122	4,241	10,589,168	3,483,173	502,746	2,711,888	547,870	2,043,791	1,229,700
1947	2,566,632	4,570	11,728,677	3,650,249	847,129	3,003,794	596,181	2,006,206	1,622,816
1948	2,534,702	4,688	11,882,114	3,628,818	1,016,211	2,663,560	744,769	2,449,477	1,679,279
1949	2,487,521	4,755	11,828,001	3,646,196	1,046,068	2,445,722	749,697	2,038,593	1,901,725
1950	3,032,452*	5,335	16,179,196	5,059,612	1,618,020*	3,364,889	1,064,141	2,298,962	2,773,572*
1951	2,877,860	5,701	16,405,367	5,294,689	1,615,173	3,370,407	1,013,366	2,539,452	2,572,280
1952	3,028,157	5,950*	18,017,677	6,452,357*	1,420,246	3,599,856*	1,136,621*	2,757,931*	2,650,666
Percent change 1952 from —									
1951	+5.2	+4.4	+9.8	+21.9	-12.1	+6.8	+12.2	+8.6	+3.0
1950	-0.1	+11.5	+11.4	+27.5	-12.2	+7.0	+6.8	+20.0	-4.4

* All-time high.

Source: Home Loan Bank Board

(2-12-53)

Permanent Privately-Owned Nonfarm Dwelling Units Started: 1935-1952

Sales-type privately-owned starts made up 88 per cent of the 1,073,600 private starts in 1952. This was the highest proportion of I-family structures started in any year since 1947 and was exceeded only by the 89 per cent records of 1945 and 1946.

Year	Total permanent nonfarm starts	Number of starts in —			Percentage of total starts in —			
		1-family structures	2-family structures	Multifamily structures	Sales-type structures (1-family)	Rental-type structures		
						Total	2-family	Multifamily
1935	215,700	182,200	7,700	25,800	84	16	4	12
1936	304,200	238,500	13,300	52,400	78	22	4	17
1937	332,400	265,800	15,300	51,300	80	20	5	15
1938	399,300	316,400	18,000	64,900	79	21	5	16
1939	458,400	373,000	19,700	65,700	81	19	4	14
1940	529,600	447,600	25,600	56,400	85	15	5	11
1941	619,500	533,200	28,400	57,900	86	14	5	9
1942	301,200	252,300	17,500	31,400	84	16	6	10
1943	183,700	136,300	17,800	29,600	74	26	10	16
1944	138,700	114,600	10,600	13,500	83	17	8	10
1945	408,100	184,600	8,800	14,700	89	11	4	7
1946	662,500	590,000	24,300	48,200	89	11	4	7
1947	845,600	740,200	33,900	71,500	88	12	4	8
1948	913,500	763,200	46,300	104,000	84	16	5	11
1949	988,800	792,400	34,700	161,700	80	20	4	16
1950	1,352,200	1,150,700	42,200	159,300	85	15	3	12
1951	1,020,100	892,200	40,100	87,800	87	13	4	9
1952 p	1,073,600	945,000	45,200	83,400	88	12	4	8
Percent change 1952 from —								
1951	+5.2	+5.9	+12.7	-5.0	xx	xx	xx	xx
1950	-20.6	-17.9	+7.1	-47.6	xx	xx	xx	xx

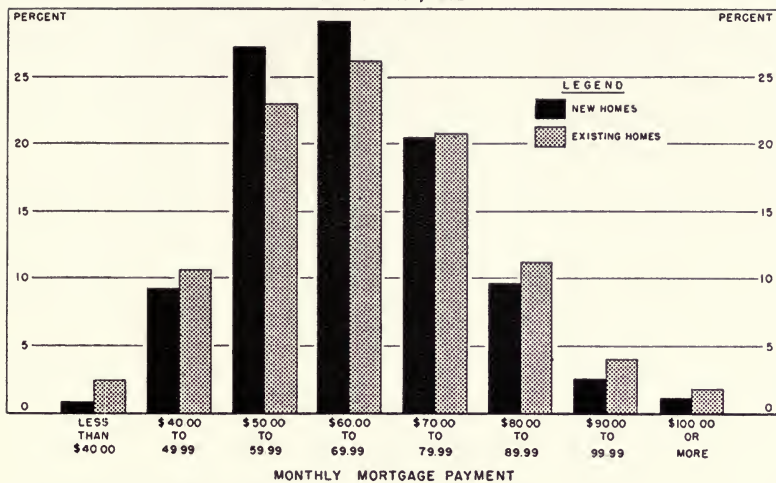
* All-time high. p - Preliminary

Source: U. S. Department of Labor

(2-11-53)

TOTAL MONTHLY MORTGAGE PAYMENT **FHA-INSURED MORTGAGES ON SINGLE-FAMILY HOMES**

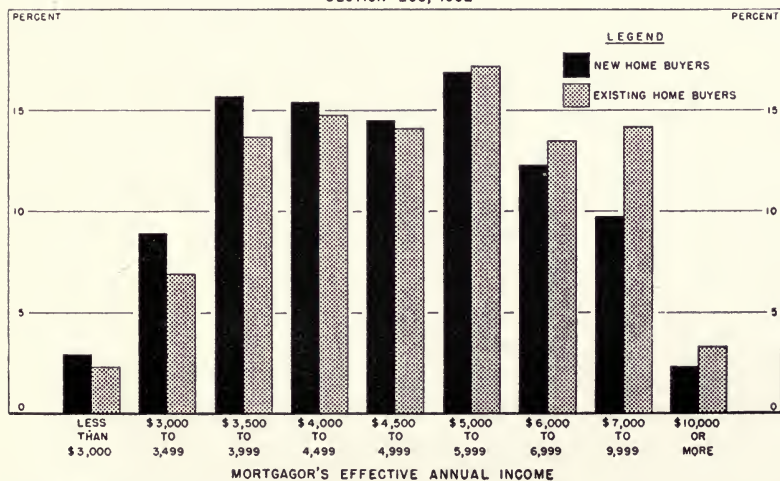
SECTION 203, 1952



Source: Federal Housing Administration

MORTGAGOR'S ANNUAL INCOME **FHA-INSURED MORTGAGES ON SINGLE-FAMILY HOMES**

SECTION 203, 1952



Source: Federal Housing Administration

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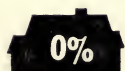
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THE GROWTH OF HOME OWN



HOME OWNERSHIP BY STATES



PERCENTAGE OF DWELLING UNITS OCCUPIED BY OWNERS IN 1950

0,000,000-

NUMBER OF HOME OWNERS IN 1950

SHIP IN THE 20th CENTURY

